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1981 FARM LEGISLATION

HEARINGS

BEFORE THE

COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY UNITED STATES SENATE

NINETY-SIXTH CONGRESS

SECOND SESSION

AUGUST 28, 29, AND 30, 1980

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CONTENTS

	Page
Boschwitz, Hon. Rudy, a U.S. Senator from Minnesota, opening statement	1
Jepsen, Hon. Roger W., a U.S. Senator from Iowa, opening statement	2

CHRONOLOGICAL LIST OF WITNESSES

THURSDAY, AUGUST 28, 1980

Quie, Hon. Albert H., Governor, State of Minnesota	4
Paul, Eugene, president, Minnesota National Farmers Organization, Delvan, Minn	9
Lokensgard, Merlyn, president, Minnesota Farm Bureau Federation, St. Paul, Minn	14
Knutson, Jeff, Minnesota Farmers Union, St. Paul, Minn	19
Kanten, Chuck, American Agriculture Movement, Milan, Minn	22
Loeslie, Don, Minnesota Association of Wheat Growers, Warren, Minn	27
Himle, John, executive director, Minnesota Agri-Growth Council, Minneapolis, Minn	32
Martens, Gary, president, Minnesota Association of Farmer-Elected Committeemen, Mora, Minn	38
Asendorf, Roger, president, Minnesota Soybean Growers Association, Mankato, Minn	41
Annexstad, Glen, Minnesota Corn Growers Association, Mankato, Minn	44
Warner, Mike, president, Red River Valley Sugar Beet Growers Association, Halstad, Minn	47
Davids, Berend, Southern Minnesota Beet Sugar Cooperative, Clara City, Minn	50

FRIDAY, AUGUST 29, 1980

Stepner, Paul, vice president of transportation, Pillsbury Co., Minneapolis, Minn	55
Springrose, James V., vice president of transportation, Cargill Co., Minneapolis, Minn	61
Fruin, Jerry, agricultural economist, University of Minnesota	67
Durenburger, Hon. David, a U.S. Senator from Minnesota	71
Lambert, John W., chief executive officer, Twin City Barge & Towing Co., St. Paul, Minn	76
Helberg, Davis, executive director, Seaway Port Authority of Duluth, Duluth, Minn	79
Butz, Earl, Purdue University	84
Slettom, Edward, executive director, Minnesota Association of Cooperatives, St. Paul, Minn	93
Avery, Ralph O., assistant vice president, pricing, Burlington Northern, Inc., St. Paul, Minn	97
Johnson, Robert M., executive director, Minnesota Good Roads, Inc., Minneapolis, Minn	101
Prescher, Ralph, chairman, legislative committee, Minnesota Soybean Growers Association, Delavan, Minn	104
Hall, Darwin, chairman, Corn Belt Shippers Association, Winnebago, Minn	107

SATURDAY, AUGUST 30, 1980

Page

Schumacher, Clifford, president, North-Central Region, Associated Milk Producers, Inc., Sleepy Eye, Minn. 116
Slinden, Don, second vice chairman of the board, Land O'Lakes, Grove City, Minn. 119
Markuson, Cliff, general manager, American Dairy Association of Minnesota, St. Paul, Minn. 123
Natwick, Herman, Minnesota State Cattlemen's Association, Ada, Minn. 126
Arends, Tom, Minnesota State Cattlemen's Association, Luverne, Minn. 129
Mertens, Henry, president, Minnesota State Cattlemen's Association, Easton, Minn. 130
Moenning, Arno, Minnesota Pork Producers Association, Albert Lea, Minn. 132
Kiehne, Delores, Minnesota National Porkette Director, Lanesboro, Minn. 134
Munson, Roy, C., executive secretary, Minnesota Turkey Growers Association, St. Paul, Minn. 137
Eberlein, Charlotte, graduate student in agronomy, University of Minnesota 139
Larson, Ronald, student, agricultural and applied economics, University of Minnesota 141
Ekman, David, student, University of Minnesota at Crookston 143
Guadagno, Mary Ann, assistant professor, Family Social Science Department, College of Home Economics, University of Minnesota 145
Randall, Gyles, soil scientist and professor, Southern Experiment Station, University of Minnesota, Waseca 147
Terbeest, Deb, Spring Valley, Minn. 149
Harste, Dion, vice president, State Federation 4–H, Appleton, Minn. 151
Censky, Steve, Jackson County, Minn. 152
Helvig, John, Minnesota Future Farmers of America Association, Truman, Minn. 156
Schaefer, Mark, Southland Future Farmers of America, McIntire, Minn. 158
Fellows, Richard, Minnesota Future Farmers of America, Worthington, Minn. 162

APPENDIX

Quie, Hon. Albert H., Governor, State of Minnesota, statement, with attached policy statement of the Midwestern Governor's Conference of August 24, 1980, on the grain embargo 165
Lokensgard, Merlyn, president, Minnesota Farm Bureau Federation, St. Paul, Minn., statement, with attached appendage on "Farmer-Held Reserves and Their Impact" 167
Martens, Gary, president, Minnesota Association of Farmer-Elected Committeemen, Mora, Minn., material submitted by: "Costs of Production Components" 174
Springrose, James V., vice president, transportation, Cargill, Inc., Minneapolis, Minn., statement 176
Lambert, John W., chairman, chief executive officer, Twin City Barge & Towing Co., St. Paul, Minn., statement, with attachments and exhibits 178
Helberg, Davis, executive directo., Seaway Port Authority of Duluth, Duluth, Minn., statement with attachments 192
Slinden, Donald, second vice chairman of the board, Land O'Lakes, Grove City, Minn., statement 207
Moenning, Arno, Minnesota Pork Producers Association, Albert Lea, Minn., statement 210

1981 FARM LEGISLATION

THURSDAY, AUGUST 28, 1980

U.S. SENATE,
COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY,
St. Paul, Minn.

The committee met, pursuant to notice, at 8:30 a.m., in the Earle Brown Center, University of Minnesota, St. Paul Campus, Hon. Rudy Boschwitz, presiding.

Present: Senators Boschwitz and Jepsen.

STATEMENT OF HON. RUDY BOSCHWITZ, A U.S. SENATOR FROM MINNESOTA

Senator BOSCHWITZ. I'm sorry to be just a few minutes late. I wanted to start on time and lay down some ground rules in just a moment so we can proceed right along. We have quite a list of folks testifying this morning and we are coming perhaps to a most important piece of agricultural legislation since either Roger, Senator Jepsen to my right, and I have been down in the Senate—the 1981 farm bill. And with that in mind, we are determined that we should hold some hearings and this is the first of the 3 days here, in order to get some understanding and some input from Minnesotans—mainly farmers. We certainly have some farm organizations represented, but basically we are listening to all farmers—even to the Governor of Minnesota, who, as you know, was a farmer, is a farmer, still owns his farm to the best of my knowledge—correct?

Governor QUIE. That's correct.

Senator BOSCHWITZ. And I'm very pleased to have with me, before I make a brief opening statement, I would like to introduce the gentleman to my right, Senator Jepsen from Iowa, who has a far more extensive farming background than I, having grown up on a farm, his brother still operates the family farm and I believe they have been there for more than 100 years or just about 100 years.

Senator JEPSEN. About 100 years.

Senator BOSCHWITZ. I attended a hearing down in Iowa with Senator Jepsen and it was about soil conservation and I was very interested as we talked about it later to hear Roger talk about his own experiences on the farm and how they took the rocks out of the ground, that you marked the rocks so that when you came back later—these are the kinds of experiences I have not had, as you may know. I grew up in and around New York where they had no real large farms—a few windowboxes outside of windows. So, he really comes from a good

farm background and whenever I get out of line in the Agriculture Committee, we sit next to one another and he gives me a little poke and we get back on course.

It's going to be an interesting year in agriculture in 1981. Our chairman down in Georgia, Senator Talmadge, seems to be on the way back to the Senate, may well be, and I think we're going to have a very productive 1981 session. He's a gentleman not difficult to deal with. The ranking members of the Agriculture Committee have historically all been southerners who have protected the interests of tobacco and peanuts and cotton very well and there are a growing number, at the other end of the table, a growing number of people interested in feed grain, wheat, things like that and we are very active participants—as those of you know who have been down there and have watched the Agriculture Committee in action.

Roger, would you make a statement and then I'll continue mine?

STATEMENT OF HON. ROGER W. JEPSEN, A U.S. SENATOR FROM IOWA

Senator JEPSEN. Thank you, Senator. It is good to be here in Minnesota, our neighbors to the north—being from Iowa. Minnesota is one of the great food-producing States in our Nation and I would commend Senator Boschwitz and the farm leaders of Minnesota for conducting the hearings on the important agricultural issues that we will be faced with in 1980—1980 should be exciting and good times for agriculture and, as you all know, the Food and Agricultural Act of 1977 expires at the end of next year. Whether we simply extend the present authority or we develop a complete set of guidelines for agriculture or recommend mild reforms is all going to be determined by those of you who express your concerns and take an active part in the process, and I look forward to listening to your testimony today.

Farm policy has always been an exciting subject, especially to me and to others who were born and raised on farms, and although farmers today constitute only a very small segment of the U.S. population, farming is our largest single industry and, as such, relates to every segment of our society. I think the automobile manufacturers and dealers, and feed and chemical salespeople, and so on found that out this spring in very clear, concise terms.

Senator BOSCHWITZ. So did the plywood people.

Senator JEPSEN. So, consequently, the economic well-being to farmers is important to all Americans. In addition, one thing that I think we must get and keep in perspective in this country—and we may have lost it a little bit—is that farmers in nearly all countries, in all civilizations, are considered to be the keystone of the Nations' survival and where people have literally raped the soil and used and abused it and taken all that they can take from it until there is nothing left, then, the civilization disappears, too, or they move on to newer places. Almost 20 years ago our farm programs here were on the verge of collapse. Surpluses were widespread. Our grain bins were bursting. Storage was costing the taxpayers a fortune and farmers were in serious financial trouble. It was time for a change and that change evolved over the years on a bipartisan basis. Under both Republican

and Democratic administrations, in the 1960's and the early 1970's, U.S. farm policy has gradually shifted from high-support levels, production controls and intense Government involvement to a more flexible market-oriented approach, and I believe that's as it should be.

Unfortunately, the present administration has given us 4 years of somewhat inconsistent and indifferent policies that this spring resulted in a net drop to the farm income by nearly 40 percent. So in 1980, farmers are faced with their most difficult times since the mid-1930's because virtually all short-term economic indicators point to the continued decline in real net farm income. The main issue on the farmers' minds is simply whether they're going to be able to remain in business or not. The disaster confronting farmers today is the relentless upward spiral in the cost of production and, as we all know, is a burden of spiraling costs to farmers that we cannot pass on or pass through to those who purchase farm commodities.

Additionally, I might add that the sales and dismal failure of the Soviet grain embargo added to the already depressed farm economy.

In summary, it is the purpose of these hearings and others like them to provide the Congress of the United States with a survey of the needs and desires of agriculture producers around the country. In the future, we must develop and implement farm policies that reflect an understanding—and I underline this word—an understanding partnership—not adversary, but partnership—between the American Government and the American farmer; and I am most proud and honored to serve on the Agriculture Committee with my colleague, Rudy Boschwitz, who has a keen sense—probably one of the keenest sense—of business and what business in the private sector is all about and that's what farming is all about because ultimately and ideally the marketplace should provide for the farmer. Rudy has been a great addition to the Agriculture Committee. Like myself, I hope we don't change. We haven't been there long enough to know we're supposed to keep still. We aren't supposed to say anything. We ask questions. We probe. We dig. In fact, I find we make things very uncomfortable for some of those who throw things at us from the committee and from the USDA, especially, who have been accustomed to doing that and have never been questioned before. It's a new day. It's a new day in this country and it's a new day in the Senate of the United States and, I can tell you this—it's a new day in the U.S. Senate Agriculture Committee, and largely because of people like Rudy Boschwitz, and I'm proud to be associated with him and thank him for the honor and opportunity to appear here in Minnesota today and, quite aptly, I am sitting at his right here today and I sit on his left in the U.S. Senate Agriculture Committee, but we do work together.

Thank you.

Senator BOSCHWITZ. Let me make one final comment and then we can go on to our hearing because our purpose is not to come here and talk to you, but rather to listen to you. I think that the 1981 farm bill has to take a very long view. I don't think that the farm legislation that I've seen come down the pike has taken that long view before. As you look at the world as a whole, since the mid-1970's, the production of feed grains and basic commodities, wheat has really gone down on a

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per capita basis worldwide. The idea of an embargo that Senator Jepsen was talking about will become much more meaningful because, if that trend continues, there is no question that the country that is able to produce surpluses of food stocks will become more and more powerful, certainly more powerful than other groups of nations like OPEC are today. No question that the ability to produce food is an absolutely essential aspect to the future of this country. And the fact that the good Lord put our real estate in the right place and the temperate climate that we get adequate grain, I think that the long-range outlook for agriculture is very good, if it is primarily left alone. And what I have found so disturbing, for instance, in the grain embargo, was the short-term outlook that really exhibited to me—the fact that you can fool around with the agricultural economy, the fact that there is not an appreciation that this is the strongest aspect of the American economy scene, that it's going to continue to grow stronger in my estimation and, as a result, it will be my hope and I know Roger's, as well, that in the 1981 farm bill we approach it with a little longer view so that we allow agriculture to function, allow agriculture to gain in status and gain in price, as it should.

This year we're going to have almost $40 billion of farm exports. It's the rising aspect of our economic picture. Without it we would be in just terrible shape and it is growing at a remarkably fast pace, despite the embargo, I might say—although the embargo was certainly an unnecessary, ineffective and very worrisome and destructive feature of the farm picture this year. Destructive, primarily, because it displays a lack of understanding on the part of Government planners and Government thinkers what the long-range outlook and what the long-range prospects of agriculture are.

Our first witness this morning is the Governor of our State, Governor Al Quie and, Al, if you will, we are going to have a timer which is set up on the table and we have a total of 11 witnesses and we hope you will be able, each witness, to restrict your testimony to 10 minutes. If you have a longer statement, that statement certainly will be printed in the record, in full, so it will be available in its entirety to the Agriculture Committee and its staff. If any of you want to insert more into the record, that also is entirely permissible, though I would appreciate if you would give it to me first so I can read it, as well.

Governor?

STATEMENT OF HON. ALBERT H. QUIE, GOVERNOR, STATE OF MINNESOTA

Governor QUIE. Senator Boschwitz, Senator Jepsen, let me first say that I should be able to make it in 10 minutes because I served under the 5-minute rule in the House for 21 years and that's twice as much time as I ever got in the House so I have pretty good time here.[1]

Senator BOSCHWITZ. We're more generous in the Senate.

Governor QUIE. I'm also pleased to be able to testify before two distinguished gentlemen. Senator Boschwitz, I remember when I first went to Congress as a young farmer and talked to a colleague from Michigan. He was interested in my agricultural experience and I

[1] See p. 165 for the prepared statement and attachment thereto of Governor Quie.

asked him about his. He was talking about tomatoes all the time and I figured here was a big truck farmer from Michigan and I was going to ask him what kind of operation he had. I figured I didn't want to show my ignorance of tomato production by asking how many acres he had because that's what they usually talk about in grain. So I thought maybe I ought to ask him, "How many plants do you put up?" So I said, "How many plants of tomatoes do you set out?"

He said, "six." I knew it was that windowbox he was speaking about.

As I see the farm program, Senator Boschwitz, and the major agricultural legislation that you have introduced, it seems to me you understand agriculture and its needs. I commend you in the legislation which you have introduced.

As you know very well, farming is Minnesota's most important industry and upon it rests the State's entire agribusiness industry, from feed and seeds and banking services on the production side, to milling and canning and the meatpacking and export on the marketing distribution side. In Minnesota and the upper Midwest generally, the biggest business by far is agribusiness—the production, distribution, and processing of food and fiber products.

Minnesota's 104,000 farmers produce nearly $5 billion worth of farm products each year. The food processing industry generates another $2 billion annually. Additionally, farming helps the State economy by creating nearly 40 percent of the total State employment. Minnesota ranks seventh in the country in total cash farm income and fifth in the Nation in farm exports, thereby helping, as you have indicated, the Nation's balance of trade and balance of payment.

I testified before this committee last February concerning the grain embargo to the Soviet Union and I would like to note that on just this last Tuesday, the Midwest Governor's Association unanimously voted to oppose the grain embargo and I will submit the resolution to you for the record. In February, I shared with this committee that this country, that this is the low-cost supplier of the world's food needs and is the only single country capable of meeting these needs on a sustained basis. However, because of Minnesota's location relative to major port facilities and the dynamics of the marketing system, we, more than any other region of the country, are at the end of the whip. We are the last to obtain the benefits of strong markets, the first to receive the shock effects of market disruptions and major changes in production costs. Our farm producers operate on the narrowest of profit margins. Their production costs tend to be higher than other regions. Market prices are lower because of our location and transportation costs. Corn prices are consistently 20 to 25 cents a bushel below the national average prices, and soybean prices are approximately 30 cents per bushel less.

Consequently, our farm producers are extremely sensitive to market and income fluctuations. Their specialized crop and livestock production practices together with a heavy reliance on borrowed funds and purchased supplies, makes the issue of cash flow extremely important to them, and the past year and a half has been a trying one for them. We have experienced a grain miller's strike in Duluth-Superior, a truck strike, severe fuel shortages, adverse weather conditions in the spring of 1979, national transportation bottlenecks, the grain embargo

to the Soviet Union, and then most recently, the drought in northwestern Minnesota. All of these impact very heavily upon our farm producers debt service ability. Their perseverance and determination to weather these storms reveals the strength of character of those individuals.

So, we really need to look right now at two important issues. One is the farm-held reserve and the operation of the release and the call prices. I would like to address that issue first.

It's ironic that the legislation which is intended to stabilize farm income, actually has a great potential to contribute to its instability. I urge that this committee adopt a mechanism to allow for the gradual release of commodities rather than simultaneously releasing millions of bushels of grain at once. Our transportation systems are not capable of handling these peak loads. And I recently recommended to the National Governors Conference, a policy position to replace the current mandatory nature of the call level with a system of incentives such as increasing the loan interest rates and deducting storage payments on reserve crops held beyond the call level date. Such a system would reduce the potential for market disruption caused by an immediate call in of millions of bushels of grain.

The second issue that I want to address is transportation, which I see you are going to be studying tomorrow. Minnesota is the marketing center for the upper Midwest with its Port of Duluth-Superior, and the Mississippi River terminals, the Minneapolis Grain Exchange, and numerous processing facilities located throughout the State. The value of Minnesota's agricultural exports increased by nearly 100 percent in the past 3-year period with over 75 percent of the total value accounted for in wheat, feed grain, and oil seed products. For the past 2-year period, grain shipments from Minneapolis and St. Paul and the Port of Duluth-Superior terminal facilities totaled 35.5 million metric tons.

According to recent statistics we have, 55 percent of Minnesota's commercial grain receipts in 1977 came from in-State origins and 45 percent came from out-State origins. Nearly two-thirds of those receipts are destined for the Duluth-Superior or Minneapolis-St. Paul terminals.

You can see it's not only Minnesota, but it's also for this region that those port facilities are available. We have transportation bottlenecks of the lock and dam 26, the Kansas City switchyards, Miles City gateway, and seasonal extension on the St. Lawrence Seaway. All these problems affect our shipping.

If you will get a chance to visit the fair today, you will be able to see the phenomenal change in agriculture and that we still haven't reached the potential of increase in production and development of our livestock and in our products. What's going to be the bottleneck is we don't have the transportation system to move that increased product to the market.

This is the only country that the world can depend on for food production. With the growing population in the world, we need to have assurances. We, in this State, have set a policy goal which is threefold: (1) To assure our farm producers access to import regional and national markets; (2) to encourage the adoption of the best available

technology to improve essential physical transportation facilities; and (3) to seek the efficient utilization of all our carrier fleets, be they truck, rail, or water-borne facilities.

This is what we need to be moving toward. I am pleased that you in the Senate Agriculture Committee are addressing yourselves to the problems. Change is bound to occur. What we have seen in transportation is the constant reduction in the amount of product that's been moved by rail and a tremendous increase in the amount by truck. Truck movement will always be in the future, carrying more than they had in the past, but it has to be on a more short-line run. We need to make certain that major rail facilities are available in each of the States. We need to look at water, truck, and rail in conjunction with each other as an intermodal system.

The Governors Conference doesn't think in the past or the kind of transportation that has been available for us in the past. They did not turn to the people with rail experience in their rail lines. They turned to the aircraft industry because of the ingenuity that had been used in the aircraft industry to improve theirs. I believe that's what we need, an incentive to make that possible as well.

In closing, let me just address myself to the farm legislation and where you're going with that. I served for 9 years on the Agriculture Committee in the House in my 21 years there and watched this legislation closely through all 21 years. As you indicated, Senator Jepsen, there has been dramatic improvement in farm legislation in recent years. We've gotten away from the horrendous national problem where we had huge surpluses hanging over our head owned by the Government. The farmer-owned storage, the farmer-controlled storage is important. My hope is that you won't throw all the baby out with the bathwater and try and start all over again, because through those years that began in the thirties, we learned, learned, and developed, and I believe we ought to improve on what we presently have—not throw it out. We, in the dairy industry—and I feel that because I have a dairy operation—have had an excellent law that's lasted through the years. I wish you wouldn't touch it. On the grain side, we need to make sure that it flows properly.

Let me leave what I believe is the principle on how we ought to operate. I believe that loans ought to be based on market prices because a loan enables a farmer to get past that harvest period and get the money he needs to move into that next planting year. However, that grain has to move into market.

Second, I believe target prices ought to be based on cost of production—what we used to call parity—and cost of production is a better way of handling it now. So, if you have loans based on markets, the grain will move; and target prices based on cost of production because that's a means of protecting the income based on cost to the farmer, the program will function much better.

Third, when you do reach a price where you trigger the release, I believe you shouldn't just dump the whole amount out on the market. This disrupts the market, and I believe that when we have a good flowing farm program that will help us in the upper Midwest.

Senator JEPSEN. If you have loans based on the market price, how often would you recommend they be adjusted, then? Monthly? Quarterly?

Governor QUIE. Based on the market price?

Senator JEPSEN. Yes.

Governor QUIE. I would base it on the commodities that move in the seanson on the world market price and I wouldn't go adjusting too often. What we have done in the past is have adjustment more often than annually, but since the loan level has to come up when it's based on the market price that it would be available on an annual basis, I think you have to set that loan level for that year that would be available on an annual basis.

Senator BOSCHWITZ. Al, you mentioned the Governors' conference and that they came out with a statement about the grain embargo. Do you have a copy?

Governor QUIE. Yes; I'll have it for you and note the final sentence: "The Midwest Governors Conference supports action to end the current embargo and urges action to prevent future interference with private sales of agricultural products to customers located in foreign countries."

Senator BOSCHWITZ. How do you suggest that we prevent that from happening in the future? You know, we're realistic people. It bothers me that the Government decides it's going to take agricultural products and use them in pursuit of foreign policy, but I'm not quite sure—and it's done by the Republicans and Democrats alike, as you know—I'm not quite sure how to prevent that legislatively.

Governor QUIE. I believe the best way to prevent is by using self-policing legislation. Let me use one as an analogy. The reason why I like target prices for direct payment is that the Department of Agriculture always gets pushed by the Office of Management and Budget. If they're direct payments, they will then make more certain that the Agriculture Department will engage in policies that won't permit the market prices to drop so low that they have to make those direct payments. That's what I call self-policing. I believe one needs to do the same things, that the financial action that you would have come from the Federal Government immediately to go into the farming economy because of the embargo, there would be the self-policing. It would automatically trigger, then, the payments to farmers in order to protect them. That's about what the administration promised they would do when the embargo was announced but that policy was never carried out.

Senator BOSCHWITZ. Would you just expand once again on the trigger price so the reserves wouldn't all hit the market at one time putting strains on both the marketplace itself, and also on the transportation system? Have you seen or have you put your thoughts there into greater detail, by chance?

Governor QUIE. I just mentioned it briefly here but I can give you greater detail. I made that statement last year before this committee and still believe that gradual release after trigger price has been reached is important. I naturally look at this from the point of view as a farmer. Anybody that's born and raised on a farm, earns his living as a farmer and still owns his farm believes this. You can't get rid of

that hat. The purpose of gradual release is to make certain that the farmer gets an adequate income and we are all pleased when the price rises for the farmer. So if you trigger the release and it knocks a bottom out of the market, that drives the farmers prices back down. We never intended when the legislation passed that they should be driven down by releasing all that grain on the market.

Senator BOSCHWITZ. I would like to see that.

Governor QUIE. Good!

Senator BOSCHWITZ. I'll come over sometime between now and the first of the year and we'll stay at the mansion and spend the evening talking about that.

Governor QUIE. OK. You're invited.

Senator BOSCHWITZ. Thank you very much, Governor.

Governor QUIE. Thank you. I'll leave this resolution with you.

Senator BOSCHWITZ. We didn't dare run the clock on him but the rest of the witnesses, we're going to do it with a heavy hand, particularly Gene Paul who is the next one.

Gene—our next witness and an old friend—is the national director of the NFO: am I correct?

Mr. PAUL. That's right.

Senator BOSCHWITZ. I met Gene when he was doing the dairy marketing for the NFO in the State and I believe you still continue to do that?

Mr. PAUL. That's right.

Senator BOSCHWITZ. And also a farm operator from a little town south of Mankato?

Mr. PAUL. Delavan.

Senator BOSCHWITZ. Delavan?

Mr. PAUL. Right.

Senator BOSCHWITZ. Gene, do I have a copy—I neglected to introduce Randy Russell, who is my agricultural aide who many of you have met. I saw a copy of Gene's testimony, but I don't have it.

Here it is. OK. Gene?

STATEMENT OF EUGENE PAUL, PRESIDENT, MINNESOTA NATIONAL FARMERS ORGANIZATION, DELAVAN, MINN.

Mr. PAUL. Senator Boschwitz, Senator Jepsen, my name is Eugene Paul. I'm a farmer from Delavan, Minn., and president of the Minnesota National Farmers Organization. We appreciate the opportunity to express briefly our very deep concerns for the economic position of farmers and our views on the 1981 farm legislation.

First of all, we would like to express our concern about the structure of agriculture that is emerging at the present time. We believe there's an urgent need for national agricultural policies legislation that will keep farmlands and the farming business in the hands of farm families.

We are deeply convinced that the social structure and the strength of any nation are enhanced by the system of widespread individual ownerships of land and business establishments, as opposed to concentration of land holdings and business assets in the hands of a very few,

which invariably throughout history, has resulted in social and political unrest.

It was very confidently predicted at a recent outlook conference that by the end of this century, just 20 years from now, about 50,000 farms of a larger-than-family-type will provide the majority of farm output in the United States if present trends continue.

That is such an undesirable trend that there is a real urgency in enacting legislation in the farm program next year that will reverse it and assure a revival and renewal of family farming in the United States.

Now I would like to present our views in terms of principles or policy recommendations, but we hope that there will be an objective continuing dialog on the structure of agriculture existing in the United States today, as well as the structure we would desire in the future.

In order for Government policies to be geared toward the survival of family-operated-farming units in this country, we advocate:

No. 1, the recognition of the responsibility of producers to bargain collectively to price their own commodities;

No. 2, farm programs that aid only the family-operated units. Exclude absolutely large corporate farms, the conglomerates, institutions, and other forms of business with major sources of income other than farming;

No. 3, proceed, with the advice and counsel of farm producers, to develop an international agreement on minimum prices for grains, oil seeds and cotton in the export market;

No. 4, support for legislation along the lines of the Family Farm Antitrust Act, which will prevent nonfarm interests from owning and operating agricultural land and farming enterprises;

No. 5, a change in the tax code to reduce the attraction of farm land as a speculative vehicle for investors from all over the world;

No. 6, continue a voluntary soil and water resources conservation program based on landowner control of his own land without compulsion or coercion by bureaucrats who are forever planning, zoning, surveying, mapping, and otherwise trying to dictate private land use.

It is clearly in order to recognize the fundamental importance of one individual in all of agriculture—the producer himself.

As you very well know, most of the farm families who are members of this organization are firmly committed to the concept that farm producers cannot depend upon Government or some other outside agency to assure them profitable prices for their production. Although we have yet a long way to go, we have attained success in the case of some commodities in blocking our production and bargaining with buyers for reasonable prices. We are convinced that farmers will not have acceptable prices for their commodities over an extended period of time until they are willing to bargain collectively in the marketplace.

It is sufficient to say that the modern day programs offered to the grain, rice, and cotton producers by a Congress no longer dominated by farm legislators, have now reached the point where they are probably a detriment to the welfare of family farming. While our farm spokesmen and the Secretary of Agriculture may sincerely undertake

to design legislation that will protect farmers from ruinous prices in times of overproduction, they have been over-matched by the corporate influences representing agri-business, the export trading activities, and the interests of other government departments in holding down the prices of raw commodities. It raises a fundamental question: Are the programs designed to help the producer, or are they designed to supply low-priced products to those who buy farm production?

We feel that the primary objective of the 1981 farm bill should be to insure a strong agricultural economy at the producer level. The input of all general farm organizations and commodity groups should be the principal consideration in the formulation of this bill.

Although we have supported the farmer-owned grain reserve program as an alternative to outright ownership of surplus stocks by the Government, we believe the policy decisions of the last few years have continued the policies of earlier administrations in this sense—the very narrow band of price activity contemplated in determination of loan rates, release levels, and loan-call levels in the grain programs, makes it clear beyond question that Government policy is designed to control prices on the upside just as firmly as they are intended to influence the floor or minimum prices available. This might be acceptable to producers if the whole range were established at profitable levels, but that is not the case.

Our people realize that you are not personally responsible for all of the uncertainties and confusion surrounding our markets and programs. We understand that these are difficult times and that other governments make decisions affecting our markets. Nevertheless, we continue to lose good farm families in our rural communities. Fair commodity prices for the small- and average-sized producers are an absolute priority if we are to rebuild a reasonable farm structure in America.

We recommend that a referendum be devised calling on the producers of grain and cotton to advise the policymakers in the Congress and executive branch concerning farm program policy. Another way, let's ask the real producers of grain and cotton to vote on whether they want a program, No. 1, in which producers would cooperate with their Government in controlling production at levels that would command good prices. We are suggesting a possible national marketing order for grain, set up along the lines of the Federal milk market order, or whether they would prefer no program at all or, No. 2, a continuation of the current helter-skelter arrangement in which program provisions are constantly modified to control price levels and route a maximum amount of products into the export market regardless of prices obtained.

In support of this recommendation, we acknowledge that any set of political leaders cannot probably refrain from imposing embargoes under some circumstances, any more than they can resist the temptation to continue the expansion of agricultural exports in an effort to protect the dollar and our international trade balance. We believe farmers understand these pressures and influences. We also believe that they have been called upon to bear a disproportionate share of the burden in recent years. They cannot continue to do so and survive as independent producers.

At this time we request the immediate suspension of the current grain embargo. We object to using the abundance of American agriculture as a retaliatory foreign policy tool at the expense of farm producers in international government-to-government relationships. We do not understand the logic involved when we are told on one hand we cannot raise the price on our exports because countries or buyers will buy it from some other source, but both political parties in recent years have told us that a grain embargo will be effective because they cannot get it anywhere else.

In closing, let us be clearly understood. Although we do not appear disrespectful or unappreciative of the efforts of this committee, it is only fair to tell you that we have become weary and disillusioned over the past years. It has long been clearly evident that farmers and small businessmen could not survive in the face of ever-increasing costs of production without better prices for our products and services. The response on the part of the Government has been wholly inadequate.

At least some of us have reached the point where we will no longer come in and beg or plead for temporary relief actions. Some will go out of production and go out of farming; others will survive and hope to take a hand in designing a new farm policy for the remaining farmers and ranchers in this country. It is our hope that family-sized operations will have a better chance in the future.

We thank you for this opportunity and compliment you on your concern about the 1981 farm legislation.

Senator JEPSEN. Thank you. That's a very interesting presentation and a lot of points that I agree with you on wholeheartedly. I'm sure you have the same problem of how to effectuate them. Having come from a lifelong—and all of the generations before them farmed, we know that farmers tend to be a little bit independent.

Mr. PAUL. Just a little bit.

Senator JEPSEN. Independent as a hog on ice, or something similar. And a lot of the things that you're recommending here require an awful lot of cooperation on the part of farmers and that doesn't mean we shouldn't work toward them because we should. But would you just take a minute and comment on the collective bargaining, how you would propose, on a nationwide basis, we might do that? Let's talk about corn, just for the sake of conversation.

Mr. PAUL. Well, we feel that, as I stated in our testimony, that the only way farmers can command fair prices is if they engage in collective bargaining on the nationwide basis. The companies that buy, let's say, corn, are nationwide companies, they're worldwide companies. If you're going to bargain with someone, you have to be on somewhat of an equal footing with them. You have to control something that they need and we feel that if farmers are organized on a nationwide basis and, instead of selling as individuals, sell through one group or one voice and engage in a bargaining session with the large companies, they can affect the prices they're going to receive. However, they have to be organized, they have to be on a nationwide basis and this can work with any commodity.

Senator JEPSEN. I have, with a number of other Senators, introduced, including Rudy, a bill to eliminate the estate inheritance tax that provides a very small pittance as far as revenue is concerned and his-

torically over the years, State and inheritance tax was established to collect from the very, very wealthy which, in fact, in practice, it does not because they plan around it and the ones that pay all the estate taxes are the small businessmen and the farmers. So I think there is a chance of getting something done along those lines and I think that, without saying so, it's one of the things you have alluded to here. You would support that type of thing?

Mr. PAUL. That is absolutely right because this is, as I stated—we are very concerned about family-sized operations and it is very difficult in the family-owned operation with the tax situation the way it is, to pass along farm and property and so on to members of their own family.

Senator BOSCHWITZ. That is not going to be impacted by this particular tax bill that we have before us. I approached the Finance Committee about that, but they—I could get no agreement to put anything about estate taxes into this tax bill, but maybe before the month of September. But I think we are going to be able to make some progress next year. You talked about that, and I had that circled, to change the tax code to reduce the attraction of farmland as a speculative vehicle.

What other changes would you contemplate, Gene, other than the estate tax changes?

Mr. PAUL. There has been some discussion about, you know, changing the code to making it different tax rates and so on for the operators, versus those people who own and do not operate it. So, we are concerned about, in the family-type operations, that the person that is operating the land, actually owns the land or has an opportunity to purchase it in his lifetime. We're starting to hear more and more statements that perhaps outside, more outside money is needed so one individual or one group owns the land, somebody else works it. We do not like that, we are opposed to that. We would like to set it so the person who is actually operating it, actually owns it.

Senator BOSCHWITZ. I quite agree with your statement in the very beginning that concentrating a great deal of land in the hands of a few leads to a great deal of political instability and we see that taking place all over the world. I will reread it and you have made points in here. I will reread it and I will be back in touch with you and this takes more than a 10-minute conversation. So I thank you very much, Gene, for coming in this morning.

Mr. PAUL. Thank you.

Senator BOSCHWITZ. Next we have Merlyn Lokensgard, the president of the Minnesota Farm Bureau Federation. Merlyn is also often in Washington and, as a matter of fact, yesterday.

And incidentally, we have copies of some of the testimony, if some of you—it is a long hearing—and some of you want to follow along, go up and get some of the testimony. You should just walk up and get it.

But, Merlyn is also a farmer. Le Sueur County; is that correct?

Mr. LOKENSGARD. Nicollet. Nicollet County.

Senator BOSCHWITZ. Nicollet County, and we have gotten to know one another quite well as he brings many farmers to Washington. And as I expressed to him yesterday, as Governor Quie expressed, that

unquestionably every State has a balance of payment just as every nation has a balance of payment and unquestionably the balance of payments of this State are overwhelmingly favorable because of agriculture and, as a political constituency, as I mentioned to you yesterday, no group in Minnesota is more potent than farm groups and I, of course, have a sensitivity to that.

Merlyn?

STATEMENT OF MERLYN LOKENSGARD, PRESIDENT, MINNESOTA FARM BUREAU FEDERATION, ST. PAUL, MINN.

Mr. LOKENSGARD. Thank you, Senator Boschwitz, and also Senator Jepsen. We appreciate the opportunity and the concern that you have taken to come here.

I am a cash crop and livestock farmer from the St. Peter area. I am also the president of the Minnesota Farm Bureau Federation. We are the State's largest general farm organization with nearly 35,000 member families in 83 organized county units.

I do appreciate this opportunity today to represent the membership, this membership of the Minnesota Farm Bureau. I have submitted a written statement for the hearing record, a very broad statement with many of the concerns outlined in that statement.[1] Today my comments will be, as it were, zeroed in on the grain reserve feature.

We in the farm bureau for a long time have opposed Government-held reserves of farm products. While we look upon farmer-held reserves of agricultural commodities in a more favorable light, as long as they bring about orderly marketing as opposed to fixing prices, given the recent history of this concept, I feel they are, in a manner of speaking, the lesser of two evils.

Some politicians and social scientists, especially in an election year, seem to believe that food production is too important to be left to us farmers. As a result, they try manipulating us and our markets. Our one big concern about this kind of governmental interference in our food and fiber system, through grain reserves, on the farm or Government held, is that food shortages and higher costs could become a reality.

We are concerned the Federal farmer-held but Government-managed grain reserve program, which Howard Hjort, USDA's chief economist, says is the foundation of the Carter administration's agricultural policy, is having a negative impact on farm prices. As evidence that key decisions about the management of on-farm reserves are made by Uncle Sam, I point to the recent increases in release and call prices, and Mr. Hjort's telling the American Farm Bureau Federation grain conference in Chicago which was held only 2 weeks ago, that while he isn't expecting paid acreage diversion to be part of next year's grain program, he does expect release and call price levels to continue increasing right along with crop loan rates.

As long as there are huge amounts of wheat and feed grains in the farmer-held reserves, it is understandable that Washington indicates there is a slim chance for another year of a Government program to

[1] See p. 107 for the prepared statement of Mr. Lokensgard.

pay farmers not to plant and, therefore, it's logical there will be no set-aside for the 1981 wheat crop.

Higher farmer-held reserve release and call prices, along with increases in crop loan rates, are invariably made in the name of assuring the continued viability of the farm economy and the farm price stability that they are supposed to bring.

In themselves, we expect that the higher loan rates will have little impact on agriculture. Grain prices are expected to be quite a bit higher over the next year, year and a half and so the new loan rates announced a short time ago will do little to support the prices. As most of us know, this is affected by the weather very much in supply and demand. Another point, most county banks now have money to loan farmers who want to borrow against grain, that grain that they have stored.

But as we talk about farm policy direction for the 1980's and the 1981 farm program legislation, farmer-held reserve release and call prices is brought about by increasing the loan levels.

We fully expect also that an effort will be made to point future Government farm programs as much in the direction of supply management as the program that we now have. The No. 1 objective will continue to be to protect consumers—first and foremost—from high prices, and then to protect producers—second, from low prices. In the process, supplies have to be managed so that the prices can be kept at or near whatever price objectives the USDA sets. This is done to assure that the same 96 percent of American off-farm consumers have a plentiful, uninterrupted supply of high quality, cheap food.

As we noted a few moments ago, the farmer-held reserve has come to be a cornerstone of the administration's farm program. The concept, as you know, was first put into the Government farm law in 1977 in an attempt by Congress to smooth out sharp price fluctuations brought about by changes in production and in demand for exports.

We have cause to believe that the on-farm reserve has since become a tool, or a mechanism, for political management of farm prices. In the name of benefiting or protecting one or more segments of our economy, we run the real risk of severely crippling or destroying the competitive marketing system as far as production agriculture is concerned.

The level of farmer-held reserves is needed to iron out big price ups and downs is argued among economists and among those whose business it is to analyze farm programs. Although there hasn't been much research done to determine what the relationship actually is between reserve levels and farm prices, we do know that the larger the reserves, the easier it is for Government to hold grain prices within whatever range it decides is desirable. I think we need only look at the efforts the USDA has been making lately to increase the size of the farmer-held wheat reserve that has jumped from about 260 million bushels to close to 600 million bushels and it is easy to realize that the people in the Department feel it's much better to have too much reserve than too little.

We are also concerned now that increasing the loan price for soybeans could mean a farmer-held reserve in this commodity and if this were to happen, we are certain that it would be managed in the same way as our wheat and feed grain reserves.

The Government's latest action to increase prices and the amount of grain in the on-farm reserve is likely also to make it more difficult

to draft and pass a 1981 farm bill that moves us toward a more market-oriented agriculture.

We often hear the argument that farmer-owned reserves helps keep farmers' prices above cost; helps balance exports and prices; gives producers an alternative to the CCC loan program; reduces year-to-year swings in acreages; assures our foreign customers of the stable supply at reasonable prices; and, in the event of an embargo, lessens the impact.

We are also aware of the farmer-held reserve concept that says this on-farm buildup is needed to protect markets at or around harvest time when large quantities of grain come to market. But I think it should be remembered that it will be released sometime. In other words, we pay the piper. Either now or later, he will be paid. At that time, whenever that is, the prices are depressed. We would point out that there is every reason to believe that these reserves will more than likely be around for quite a while—probably for years. And unless there is a drastic turnaround in the basic philosophy of Federal farm policymakers, this Government-managed supply—even though it's farmer owned—will guarantee that favorable price movements, as far as farmers are concerned, will be kept at levels the planners feel are acceptable.

In the last analysis, the most disturbing feature to us in the farm bureau of the on-farm reserve as it now operates is the fact of the intervention by Government in the marketplace that results in the political and bureaucratic tinkering with release and call prices, with reserve levels, and with loan rates that we have witnessed in this election year. Such meddling and disrupting, as we have emphasized earlier, subverts flexible pricing and endangers our competitive marketing system.

We strongly believe that the free market forces of supply and demand ought to be allowed to say how much of any product we should produce, to adjust the consumption to use what is produced, and to guide the flow of investment—the land, capital, and labor in the case of farming—so that all of us, the farmer and nonfarm consumer alike, can be sure what is needed will be produced.

Bear well in mind that once the price system cannot or is not allowed to work as it was intended, the authority to fix prices at, quote, manageable or stabilized levels, becomes the Government's, and then every decision is affected by political considerations and pressures, and it is influenced by personal ambitions and bureaucratic policies.

As it is being used at the present time, the farmer-owned grain reserve approach impresses us less and less. We suggest, in fact, that the concept as we now have it is as much a scheme to control farmers as it is a device to control production. Instead of its being the free-market way, as some would have us believe, it has the potential of wrecking our markets.

We submit that the farmer-held reserve program, as implemented today, is very much part of Government efforts to manage and control the food and fiber production, and these kinds of stocks, however, do not stabilize prices except on the low side for farmers. Instead, they hold them at levels more favorable to consumers.

After all is said, pro and con, about on-farm reserves, we ought to recognize that a free market still holds the greatest prospect for giv-

ing us farmers our best opportunity to provide the Nation's food and fiber and to maintain the profitability of agriculture.

Again, I thank you for this opportunity.

Senator BOSCHWITZ. Thank you very much. Do you have a copy of that testimony, Merlyn, as well? You strayed a little bit from what I have.

Mr. LOKENSGARD. Two paragraphs. There are two sentences, and I'll give it to Randy.

Senator BOSCHWITZ. That will be just fine.

As a realistic matter, do you feel that we're going to be able to get away from the farmer-held reserve in this next farm bill?

Mr. LOKENSGARD. I think, one, I want to express that the concept is more acceptable of a farmer-held reserve than a Government-held reserve. I think the problem we have with it is as it's managed today. It really is Government-managed and Government interference. I have a document, which is back at the office, that has outlined the actions of USDA as it concerns farm programs for the last 2 years, and there were 77—77 actions or press releases affecting that program, the Government program, in those 2 years; and that's interference, because the market is going to respond to each one of those, and that's a goodly number of meddling, as I see it. If we can get away from, some way in the new act get away from the amount of leeway for administration, which I'm thinking of in the USDA; for instance, the Secretary's ability to sweeten up the loan rates—excuse me—the storage rates enough to have me smile all the way into the program until suddenly I get hit in the head again, and this is what we're concerned about. Not so much about the concept as the way it's administered and managed.

Senator BOSCHWITZ. You heard Al Quie talk about the idea of making the reserve program somewhat more flexible so it doesn't dump on the marketplace, so to speak. At one time large amounts of a commodity effectively will cap a price, prevent it from going higher; as you say, establishes a disincentive to the price moving up some more. Do you have any thoughts on that particular——

Mr. LOKENSGARD. My thought also as a farmer is this: That it would be interesting, it will be interesting, and it would be a pleasure for us if, for instance, the corn price went through the 326 level which is the call now. I'm guessing at this reaction, and so I hope you take it in that way—that it's an observation. But I believe that many farmers at heart, although the grain would have to be, the loan would have to be repaid that the call price was hit, I think a lot of farmers would go to the bank and borrow and say, "We're going to wait for it to go up." I'm saying that Al may be right that it's all available to the market, but I'm saying I don't know what curve, if you're going to chart it, the grain would come out. I know there would be a great influx, but some would be held on just with individual speculating that, "I'm going to wait for a few more days and get a little higher price, another month, another week." That's a speculative thing and it could happen. The theory is right. Al is right, that you have made a roof, a ceiling by that kind of action. I guess I would be, offhand, I would be more comfortable with a very wide range between the release and the call price, if you're going to have that system in the 1981 act, so the mar-

ket system can fluctuate wider within those areas. That would be closer to market than we have now. If you keep those two levels relatively close, you have a very close range there that you can manage that price. The farther apart you have, the more you can fluctuate and I, personally, like—I like to fluctuate a market somewhat because, if I have any either luck or managerial ability in picking the right time to market. I can exercise that in a fluctuating market. If that market is held very level, it takes away any kind of edge any individual farmer would have in that area.

Senator BOSCHWITZ. Randy, you wanted to ask a question?

Mr. RUSSELL. Yes. Merlyn, would the Farm Bureau support the idea of establishing a midpoint between the release and the call level where, let's say, a third or 50 percent of the grain that was in the reserve would be—the loans on that grain would be called at that point? The purpose being, as Governor Quie said, that once it hits the call level, there is over—there are 900 million bushels of corn, maybe 1 billion bushels of corn, and 600 million bushels of wheat going to market at one time, which is quite a task for the transportation system.

Mr. LOKENSGARD. I think, Randy, I alluded to that in my former statement. I think we would like that to be wide open in the middle. If you're going to put something, put it on top. Stretch it out, put the call price up here and have a step below it, but make it real wide, then. Don't put it in the middle, or what you've done is really narrowed it down to a very narrow.

Senator BOSCHWITZ. Even though some farmers would borrow and keep their grains off the market at that point, there would still be a tendency to have a depressant upon the prices.

Mr. LOKENSGARD. Right. Right. Everybody knows it's there, Senator, yes. Another point is that it's interesting to see, as we're in the release time period from corn and other crops, if you're graphing it again, you know, you would think that as the price raised 10 percent above the release price, you ought to have 10 percent of the product in and go on in that line straight across. And I maintain that won't happen. The line will—you will get some product, some grain on the market when it hits a release, but that line will go more straight up out into the call price, if you can visualize the graph, because I think farmers will, again, not—as the price increases, their tendency will be to wait rather than to bring it out on a uniform level. That's a theory, again, but I think we can realistically look at what's happening.

Senator BOSCHWITZ. Thank you very much. It was very helpful testimony and, Merlyn, we'll be talking again with you, as well, as we get closer to the farm bill. Yesterday, in our conversation in my office, I asked you to send me whatever materials you would like me to read prior to the farm bill coming up for consideration. The Senate is going to recess on the 4th of October and not go back until the 20th of January—though there is a great deal of talk about having a session which I hope will not come about and hopefully in that timespan, I would like to sepnd a good deal of time and attention in putting my thoughts together on what I want to see and what Minnesota farmers want to see and, I would imagine, to what Iowa farmers want to see in the farm bill of 1981. Thank you very much.

Mr. LOKENSGARD. Thank you.

Senator BOSCHWITZ. Now we have Jeff Knutson, of the Minnesota Farmers Union, substituting for Cy Carpenter. And Jeff, I don't know you and so if you would introduce yourself.

STATEMENT OF JEFF KNUTSON, MINNESOTA FARMERS UNION, ST. PAUL, MINN.

Mr. KNUTSON. My name is Jeff Knutson. For everybody's information, I grew up on the farm in the northwest part of the State and my family still raises registered polled Herefords.

First of all, I want to express our appreciation for this committee's efforts to hold hearings these next 3 days on the 1981 farm bill. This is a subject of tremendous importance to every farmer, not only in Minnesota, but the entire Nation. It is also of great import to the general public. Since we are testifying the first day, we wanted to preface our statements with just a few comments. From these hearings I suspect you are going to receive a wide range of views on past governmental programs and policies. Some advocates will term these past actions as governmental assistance, while others will view them as governmental interference. Given the effects of uncontrollable variables such as weather and their correlating impact on market supply and demand, each side possesses the necessary data to make their position look best, historically. While we do not mean to totally disregard past procedures, if all we accomplish from these hearings is to provide a forum for arguing the past, nothing will be accomplished. Therefore, we hope that you as a committee will, more importantly, listen to these statements over the next 3 days with a sense of where we're going and not just where we've been.

Second, I want to point out that the areas we discuss should not be viewed as the Farmers Union legislative program for 1981. Most of our State conventions are not until later this fall so we will not have an adopted position until some time later this year with respect to the specific proposals for the 1981 farm bill. But whether this is an adopted policy or not, we hopefully can at least interest the committee in some areas of discussion.

Well, with those comments in mind, we can get down to business. We've designed our comments to cover very specific areas. They are loan rates, target prices, and a sort of a miscellaneous category.

With respect to loan rates, we feel that Congress should look very closely at establishing a direct relationship between loan levels and the cost of producing those commodities. Each year the USDA is required by law to report these cost estimates to the Congress and the study is usually published in June or July. From these figures we can calculate, on a regional basis, the amount of input costs needed to produce a unit of any particular crop. We have worked with these figures and would like to share with you, at least for new, what we have come up with. Now, given the time limitations, I'm not going to go through every detail but, instead, will give you just a basic outline. Incidentally, Senator Boschwitz, we have supplied your staff with some supplementary material on the subject.

We begin with direct cost. Again, these costs are calculated by the USDA on a regional basis and they include such things as seed, fer-

tilizer, fuel, and other direct input costs required to plant an acre of any particular crop. Direct costs do not include any compensation for management, overhead, or labor.

Combined with this direct cost, we have tried to establish a value for land which reflects both its current market value, but more importantly, its production capabilities. What we've done is determine what the 5-year average yield is for that commodity, within each State, as well as the 5-year average price received by farmers. As a point of information, the fairly standard rental agreement in Minnesota is between 33 to 40 percent of the crop goes to the landowner under a share agreement. We have selected the 40-percent figure. We take the 40 percent of the average yield times the average price received by farmers to give us a dollar figure for land.

If this particular formula were in effect today, the loan level for corn in Minnesota next year would be around $2.60 a bushel. The national spread would be from $2.50 to $2.65. Minnesota's loan level for wheat next year would come out around $3.20 to $3.25. We offer this formula for discussion purposes. Whether this particular calculation is adopted or not, is really the side issue. What's more important is the use of these cost of production numbers to establish a realistic level of support which the farmer can make a loan on. A loan which we all know must be repaid.

In regard to target prices, since in the loan formula no compensation is awarded for labor or management, we feel the target prices should reflect this. The university has done studies, which, using the minimum wage as their basis, show what it takes to produce a unit of any particular commodity. For example, for 1 bushel of corn, it's around 20 cents. We would like you to consider establishing a target price based on this system. We strongly believe that a farmer should be supported at least at a rate of 1½ times minimum wage. Once for the actual planting and harvesting, and half-time for management. That's the minimum. That would set a target price for corn of 30 cents above the national average loan rate which would, given this system, set a national target price of around $2.87 a bushel. Such a minimum wage concept can also be used to promote conservation practices. The time has come to assign a value to our depleting resources and, if need be, to pay for its promotion.

Finally, in a general sense, we suggest that Congress look at adopted legislation which requires cross compliance with Federal programs. We feel that if an operator wants Federal crop insurance or a Farmers Home Administration operating loan, he or she should have the obligation to participate in the farm program. We can't see how Gove nment can effectively guide policy without having the tools that are available.

For deficiency payments, perhaps the time has come to dramatically reduce the amount receivable, maybe to as low as $10,000 to $12,000. It is frustrating for small operators to hear talk in Washington that, "We can't afford higher prices, price-support levels, because of the budget; and then see studies produced by the USDA which show that 10 percent of farms receive 50 percent of the benefits.

We have purposely avoided a long discussion on the crisis in American agriculture, but the plain fact is that nationally we're losing over

30,000 farms each year. The USDA has made some projections in a study that's been published last month which indicates that if everything stays the way it is, we will lose over 1 million farms by the end of this century. That's less than 20 years from now and it represents about a 40-percent decline in farm numbers. We must decide in terms of structure, jobs, the effect on rural communities, as well as other impacts, if that is the public policy we wish to follow. To be sure, Government is not the sole cause of this phenomena. Many other factors have contributed. At the same time, we can't fail to recognize that some of our programs have given a healthy push in that direction.

What we have talked about today is not a panacea for the farm problem; nor, if we fail to make these changes, will the course be unalterable. But the 1981 farm bill won't expire until 1985, and the decisions we forestall today because they are too difficult or too expensive, will be even more difficult to address 5 years from now.

Thank you, Mr. Chairman. I'll be happy to answer any questions.

Senator BOSCHWITZ. Well, I think that your statement was quite clear and straightforward.

Roger, do you have any questions?

Senator JEPSEN. I gathered from your statements that you feel the Government should play the major role in establishing the guidelines and directing agriculture; is that right?

Mr. KNUTSON. I don't think we would use the term "major." I think we would use the term "supplementary role," yes.

Senator BOSCHWITZ. It would appear that, to proceed a little bit on Senator Jepsen's remarks, are you concerned that these levels that you set—target prices, the loan rates—that they will also establish the market price and not allow the market price to rise above those points? That, perhaps, we haven't experienced that as being a sufficient danger.

Mr. KNUTSON. I think we have seen in the past, Senator, is the loan rates, in effect, setting a floor more than a ceiling. One of the advantages we see to going to a calculation process and directly tying it to cost of production, is that that can be adjusted each year. Last year we saw about a 20-percent rise in direct costs in Minnesota due to petroleum, fertilizer, and those sorts of things; and the advantage is, obviously, that adjustment can be made each year by the Department.

Senator JEPSEN. We're going to have to look at that, you know, and compare the cost of production. Cost of production, though, for the record, it's indicated, has some problems by way of consistency itself. A farmer farming 1,200 acres, his cost of production is probably, just on the basis of differentiation of number of acres alone, is going to be different from a farmer who has 160 acres. You also get into the situation where one farmer as we both know, can farm land and do very well, and the farmer down the road farms the same number of acres, doesn't ever quite get around to getting his corn harvested and it's still standing in the spring, and a few other things. So the cost of production figure, whereas it's going to be considered is, again, an awfully hard thing to arrive at on the basis of comparing farmer to farmer. That doesn't mean we shouldn't try, but——

Mr. KNUTSON. There is also a problem, Senator, in just terms of an older farmer who had purchased land 10, 15 years ago and now somebody my age tries to start farming. It's tough to come up with exact figures, but we're suggesting that we ought to take a look at that.

Senator BOSCHWITZ. Randy, do you have any further questions?

Mr. RUSSELL. Just one question, Jeff.

I was just wondering what kind of impact you felt that putting that payment limitation of, you said, between $10,000 to $12,000 of deficiency, what kind of an impact that will have in terms of large farmers participating?

Mr. KNUTSON. I think if you left the programs as they were, you would not see many of them participating. That's why——

Senator BOSCHWITZ. Excuse me?

Mr. KNUTSON. Excuse me?

Senator BOSCHWITZ. Would you say that again?

Mr. KNUTSON. We would not see many of the large operations participating in the farm program. That's why we have included in our statement a suggestion that we look at cross compliance.

Senator BOSCHWITZ. You're not concerned that if the large operators don't participate, that the supply will become more expanded and have a negative impact on the price?

Mr. KNUTSON. That is a concern. Again, we believe with cross compliance, they would be involved in the farm program. And from just a general policy standpoint, I think we have got to arrive at a time when we decide that we're going to assist farmers up to a certain size—and maybe we have got to decide what that optimum size is. But at some point we've got to say, "If you want to proceed from there on, the market is going to be the variable and we're not going to at least guarantee you a minimum level of support."

Senator BOSCHWITZ. Well, thank you very much, Jeff.

We are next going to hear from Chuck Kanten who comes to us from Milan, Minn. and is one of the leading spokesmen of the American Agricultural Movement who has been in Washington a good deal—for a while was kind of camping down there—but always found his thoughts to be very helpful and well-balanced.

I think after Chuck's testimony, we will take a little break and before we proceed with the other witnesses.

Chuck?

STATEMENT OF CHUCK KANTEN, AMERICAN AGRICULTURE MOVEMENT, MILAN, MINN.

Mr. KANTEN. Thank you, Senator Boschwitz and Senator Jepsen, for coming out here. When Randy first talked about the possibility of these hearings out in the country, I backed that very strongly because I hoped and I hope that as the farm bill is written, that you can find time to come out to the country and share with the producers, the people that are actually producing the food for our Nation, and keep us informed as to where we're at as far as the farm bill is concerned.

Talking about camping in Washington, yes, and if you remember, Senator Boschwitz, we talked about what was going to happen in this country. We foretold what was going to happen at the time we came in there 2 years ago and it has happened—the depression, the unemployment. That's what we were telling you at that time. Very few people heard it, but that's what we were telling you and it's come true.

Our family operates a grain, soybean, and sugar beet farm near Milan, Minn. and I have been asked to address the subject of loan rates and target prices.

The 1977 farm bill that we have lived under the past years, is not in itself a poor piece of legislation. I think a lot of thought went into that when it was put together. The problem has been and still continues to be the bill has been very poorly administered. If the price support levels for commodities had been allowed to keep step with the economy, we could have had an income generating agricultural economy rather than a continual debt growing agricultural economy. Many of the disasters in the past 4 years could have been avoided. A healthy agriculture means jobs, increased Government income, balance of payments, families remaining on the land, and strong rural communities. But all this has been a disaster because we have had an administration and a Congress that has failed to understand or be realistic about the contribution that food production can and does make to the economy of our country. I'll give you one example of the administration, how it's administered, and that was the very recent 15-cent-a-bushel increase in the corn support level. This increase does not even cover the additional interest cost that most farmers have experienced this year in producing that bushel of corn, yet when that was announced by the Secretary of Agriculture, he talked as if that 15-cent increase in support level covered the additional fuel cost, chemical cost, fertilizer cost and all. This is just one example of how the bill has really been mismanaged and mishandled.

It's important that the 1981 farm bill have a stronger price support level, preferably 90 percent of parity, and a lot stronger and clearer words as to the way in which it is to be implemented. It should not be left to the discretion of the Secretary of Agriculture and this I want to add now: Not only the 1981 farm bill, but I watched the bills that go into the House and Senate there and I see that phrase "At the discretion of the Secretary of Agriculture." And I realize you can't tie everything down solid when you write a bill, but there has to be more teeth and more firm legislation coming out of the Senate and the House than what we have had in the past 4, 5 years.

If the price support were raised, there is always the old argument that we will sell less grain overseas. Perhaps we will sell less volume, but it will produce more dollars for a balance of trade. It will benefit every taxpayer in this Nation and increase in grain dollars will also be an incentive to hungry nations to produce more of their own grain. That, too, must be considered when we live in a world of 1 billion hungry people.

History can show what parity income for agriculture can do for a nation. Ninety percent of parity under the Steagall amendment during World War II and until 1952, paid for World War II, protected the economy during the transitional period after the war, and led to low inflation level at that time, low unemployment and high productivity. But our family farms have paid the price since 1952 when we lost the Steagall amendment or the 90 percent of parity, by law, we have seen a continual slide in the parity level that agriculture has received. In one generation, since that time, we have lost two-thirds of the families off the land. Nearly 4 million families. My point is that someone should

care. Along with the families, as they left the land, I think we should have concern about the land, who controls the land and also the people should have concern about people. We cannot have a stable positive economy in our country unless we have a healthy agriculture.

As a farmer, I do not like the concept of target prices. It's a taxpayer-cost program that could very easily be avoided. If the loan levels were increased to a reasonable level and tied to a factor that would bring us along with the economy, instead of leaving us as it has now—loan levels increased to 90 percent of parity, as an example—commodity loans are a moneymaking investment for our Government. I heard Secretary Bergland and Mr. Hjort testify about that before your committee quite a number of times. Then, there would be no need for target prices. We could eliminate the target price system, the cost to the taxpayers. But if they must be, if we must have target prices, there is one thing that really needs to be changed in the 1981 farm bill and that is how the deficiency payments are determined, the average price that must be brought back into a State or preferably a county level when you determine the prices that the farmers receive. In past years, we have a national average situation—as an example, 2 years ago, I believe it was, corn had a national average of about 241; Minnesota had about a 202; but yet because the national average was that high and the target price in that area, the corn producers here in Minnesota received no deficiency or an extremely small deficiency payment; whereas in reality, they should have been eligible for about a 35- or 40-cent deficiency payment on their grain at that time. So there needs to be some real work done in that area.

One thing more I would like to remind both the Senators and Randy Russell, that there have been volumes and volumes of testimony given by producers in Washington over the past 2, 3 years, and I think as you sit down to write the farm bill, I think during this period of time, I hope that Congress is out of session and I hope you will dig out some of the volumes and I hope you will go through them. There's a lot of good, sound, well-thought-out testimony given in those hearings and I wish that you would go through that and consider that carefully in determining a farm bill for 1981. And, again, Senator Boschwitz, as in the past, I have tried to work with you or have worked with you and, certainly, I offer that help in the establishment of a 1981 farm bill. Anything that we out here as producers can do—because I fully realize that the old human cry of "Get Government out of agriculture"—I was probably saying the same thing 5 years ago—until I realized that we will never—food is too important. We will never have Government out of agriculture and, that being the case, I think the next best thing is for me, as a producer, or us, as producers, to be in there and help you affect the policy that governs us.

Thank you.

Senator BOSCHWITZ. Well, I certainly agree with that final statement, that the great probability is that the Government will continue to be very much involved in agriculture. We will try to steer it in the direction that is, what I have always perceived, the original objectives of the Department of Agriculture to be—to benefit food production, to benefit the farm segment of our economy. And as you well know, the Department of Agriculture, far and away, the majority

of its activities now are directed at food stamps, school lunches, WIC programs, other types of so-called feeding programs, and that has taken a great deal of emphasis off the desires, perhaps even of supporting American agriculture. Also, they become very much involved in what is commonly known as—which I certainly agree—a cheap food policy. And I hope we will be able to steer them away from that and do it with more succinct, more directive type of language in the statute rather than leaving it always to the discretion of the Secretary, which I agree politicizes the whole thing. And in the process of politicizing it, as some of the other witnesses have said, the famer is not well represented, doesn't do so well.

Mr. KANTEN. Could I make one more statement?

Senator BOSCHWITZ. Sure.

Mr. KANTEN. And I've seen a relationship to legislation in Washington and I realize, as a producer out in western Minnesota, I may be out of my territory a little bit, but it's observations I've made in the last 3 years down there. When I first observed this, I saw Mr. Hjort come down to the conference level and affect the legislation that was determined at that point. This last year when I was there, I find him way down at the subcommittee level. So what's happening is that legislation never even gets off the ground floor. In many cases, it's killed or revised or changed way back there. And my greater concern as a citizen of our Nation is that our process is no longer moving as it was determined by our forefathers. The system is being changed and I want you, as Senators, to be aware of that and not let that affect your ability to make laws, but to move ahead and make the laws and then let the administration——

Senator BOSCHWITZ. I have a great sense of what you have just said because, in the Senate, we, of course, are not called upon only to deal with farm problems, but an enormous array of problems and they come at you often without much notice and they come at you with a great deal of speed and then you have that rather intangible element of politics involved, which causes them to come in a somewhat illogical manner, very often. There is no question that people such as Dr. Hjort, who is far better informed than most on the Agriculture Committee—perhaps even all, other than Senator Young or perhaps some of the older heads there—that he has a disproportionate influence. I want to tell you, I guard against that and I understand very much what your statement is directed at.

Senator, do you have any questions?

Senator JEPSEN. No, I don't have any questions. That was a very good presentation and there are a lot of things that do affect, as Senator Boschwitz pointed out and you started to point out, the speed and depth at which the legislation is developed. In Washington, we have found a lot of quick fixes in the 1980 political year being laid on probably daily and I might point out, for the record, that just as of the other day, the USDA stated that the decline of farm income this year will only be 11 to 22 percent rather than 22 to 37 percent, as indicated earlier. Now, the way they arrived at that is that they decided they'd make their own figures and formulas. So you can change that to get the figures to come out to whatever you want them to come out.

Just like our Defense Department. We had problems when we had to get things ready to go in 45 days and we had a measure of that and that showed we had serious defense problems, so they revised their figures and they put everything on having the conflict lasting only 15 days, and we come out in pretty good shape. And that's what we're reading now in the papers. So we will soon be reading about agriculture in the papers as being not only that bad, except they won't say how this affects the farm profits and that's the name of the game.

Mr. KANTEN. Again, I share with you deep concerns, in relating to the USDA, and Jim Webster of the Public Information Section telling me that he operates a propaganda section there. And, you know, the figures that we see coming out of the USDA, I hope you dig deeply and study them so that you are sure that they are realistic figures. We have seen much propaganda come from the USDA and this concerns me deeply.

Senator BOSCHWITZ. I recall very well when you first came to Washington and talked to me about that and so I have had a greater awareness of that and Chuck Kanten has been a very constructive force in my Senate considerations about agriculture and I hope, I trust you will be down there some more. Thank you very much.

Mr. KANTEN. Thank you.

Senator BOSCHWITZ. Let's take a break of about 10 minutes. It's now about 10:20. We have half a dozen additional witnesses so that we do have some time. If there's anybody in the audience who wants to make a statement and is pressed for time or wants to submit something for the record or ask some questions, maybe we can allow a few moments for that after we take a break.

[At this time a 20-minute recess was taken.]

Senator BOSCHWITZ. We will reconvene the hearing.

You just asked if we could send a complete transcript of the hearing to everybody who registered and we will do that. So that if you haven't registered, why, we ask you to register. Perhaps the break was just a little bit longer than I anticipated. Perhaps we should get on with the witnesses and then we will try to develop some time at the end to see if anybody—does anybody in the audience have a statement or wishes to make a statement? I wonder if you could indicate by raising your hand?

[No response.]

Senator BOSCHWITZ. This, again, is Randy Russell. This is my agricultural aide and both of us are available in Washington. I think those of you who have tried to reach us, have found that we are indeed reachable and that we do want to listen.

The 1981 Farm Act, in talking to the folks of the media, is really a very essential thing because I can't tell you how strongly I believe that the very base of our State's economy is rooted in soil and that where we go in this State or in Iowa—certainly probably even more so—where we go in our State and in my judgment, as well, in our Nation, depends upon how we treat agriculture or don't treat agriculture, I should say, and what kind of production we are able to foster and what kind of a price we are able to see that the farmers get, if we can really make that decision.

Don Loeslie of the—OK. We have had a couple of substitutions—is from the Minnesota Wheat Growers and I haven't seen Don for a while and, Don, welcome to our hearing. We have kept all the statements within 10 minutes and I have asked our timekeeper also to see that we keep all questions and answers within that same 10 minutes.

So, Don, would you introduce yourself and go ahead with your testimony, please?

STATEMENT OF DON LOESLIE, MINNESOTA ASSOCIATION OF WHEAT GROWERS, WARREN, MINN.

Mr. LOESLIE. Real fine.

My name is Don Loeslie and I am a farmer from Warren, Minn., and I have been serving as the legislative coordinator in the Minnesota Wheat Growers Association, and I'm here today substituting for our Wheat Growers president, Jorgen Knutson, who had to cancel at the last moment.

We want to, first of all, express our appreciation to Senator Boschwitz, Senator Jepsen, and Randy Russell for the opportunity to address our concerns to the Senate Agriculture Committee. The Minnesota Association of Wheat Growers has filed a written statement with the committee and I will only summarize that statement in my comments today.

We are, at times, torn between the need for Government programs in periods of economic emergencies induced by both inflation and Government intervention on the one hand, and a desire to be free of Government regulations and interventions on the other. Any option we may have had, however, in choosing between these extreme alternatives has been effectively closed with the institution of the embargo of the grain sales to the U.S.S.R. This action, which the current administration indicated would not be taken, was not only implemented, but Secretary Bergland recently stated and I quote:

> Clearly agricultural exports have become an integral part of our economic system. With the Soviet suspension we have also had an example of how they might serve as a strategic element in defending our foreign policy and our national security interests.

Senator BOSCHWITZ. You know, we just had quite a debate before the Banking Committee which regulates exports. The Secretary continues to maintain that the embargo was a very successful event—even taking credit for some of the food riots that have taken place in Poland—and we certainly don't agree with that and take your position.

Mr. LOESLIE. Thank you.

Senator BOSCHWITZ. And where many Senators—we were unable to get many Senators to agree with that position early on at the time the embargo was implemented. Now it's very difficult to find any Senators who will take the position that the embargo was a success.

Mr. LOESLIE. Because of Government involvement in the system, and more so now with the prospect of continued use of our American farmers' production as an international political weapon, and because of inflation, it is necessary to request a protective system to shield

wheat farmers and others from rapidly rising costs and low prices in the agricultural sector.

It must be remembered, as we discuss the topics at hand, that well in excess of 60 percent of our wheat production moves into export channels. It must also be remembered that northern Minnesota and eastern North Dakota represent a residual market resulting from our distance to the export outlets to our foreign users. It is only because of the high quality wheat that we are able to produce that we have been able to hold our place in the world market.

We were fortunate this year, Mr. Chairman, that the Minnesota Wheat Growers Association funded a cost of production study with Chase Econometrics out of Pennsylvania. This study, which pegged variable costs, excluding land, at $3.58 per bushel and total cost of $5.32 per bushel, has allowed us to act and not just react and to maybe take a positive stand, not a defensive one, in the promotion of a fair return to the farmer.

We are pleased that the U.S. Department of Agriculture has begun moving in the proper direction by its announcement a few weeks ago of a support price loan rate of $3 per bushel, a 50-cent increase for the coming year.

Mr. Chairman, we feel that the loan rate for wheat should cover the variable costs of production of that product, and we, therefore, request that the loan rate for wheat be further elevated to a minimum of $3.50 for the coming year. This will insure that the sufficient capital is available to the farmer so that he can continue producing.

Target prices announced for the 1980 wheat crop are pegged at $3.63 per bushel. Again, this is not adequate when we consider that the total cost of production is more than $5 per bushel. The needs of farmers, like any other business, is clear. He needs to cover his cost of production, and be allowed a reasonable profit to be active in the marketplace. Since the target price concept has been introduced to carry through the productive viability of farmers during periods of stress, we feel that the target level should be pegged nearer and be indexed to the cost of production. Be mindful too, however, that due to higher costs for fertilizer and chemicals, costs of production in the Spring wheat area are higher than the national average.

Mr. Chairman, on a reserves program, we feel that the 3-year farmer held reserve did provide market strength during a surplus situation by isolating a portion of the supplies from the market. However, while they provided strength, the reserve also effectively served as a ceiling, placing price depressing pressure on the market when the trigger prices were reached. We continue to support the principal that if the reserves are necessary, they must, they must be held by the farmer with an adequate release and call price, which will not release grain at levels below the farmers' costs. Storage payments should also not be discontinued at the release level, but should be continued to the call level. If the United States is a storehouse for the world, then, Minnesota and the Dakotas have been the storehouse for the Nation. Farmers who participate in the reserve program must maintain proper storage to maintain these reserves. These obligations do not cease when the release level is reached. Consideration should also be given to waiving the first year's interest for the

loans on the reserve grain, as well as the following years, to encourage producers' participation and to place additional funds in the agricultural economy.

Disaster payments are another form of protection that must be built into the system to hedge the farmer against conditions beyond his control. The current disaster program, however, covering only a handful of crops, is not adequate for multicrop areas, such as Minnesota. The disaster program should be extended to cover other grains and crops to protect investments of all farmers. Moreover, programs should be instituted to cover not only acts of God, but also acts of man—port strikes and embargoes, to name two. The farmers must be compensated when denied access to markets, and this is particularly true for Government-decreed embargoes. I might add, although transportation will be discussed tomorrow, the Minnesota Wheat Growers support the concept of an extended Great Lakes shipping season.

It is generally understood that farmers should not profit from farm programs, but farmers should be assured adequate survival during the valleys of an ever-fluctuating price scale. This means that profits must be made from the marketplace, and the market prices are best during the years of high export demand. To make a viable agriculture, we need an expanded market for our products to achieve that goal. We must have an aggressive export policy. We need open and free access to the world markets, and they need access to ours. We need all of the tools available to us to be competitive, including increased Public Law 480 allocations to find outlets in the underdeveloped markets that currently cannot—those countries that currently cannot afford but do need our products to feed their hungry people. We need export financing programs, not only the GSM 101 and 102 programs, which are good, but a continuation of the standard profitmaking GSM–5 direct loan program from the U.S. Government, which is better. We also need a revolving fund established to finance export assistance programs on an ongoing, consistent basis, and not subject to annual appropriation debates by Congress or budget manipulation by the USDA or the Office of Management and Budget.

What we may need most in agriculture, however, Mr. Chairman, which you and other members of the committee cannot give us, is unity. Recent projection indicates we could have as few as 1.8 million farms in the United States by 1990, which could defuse our influence even further where and when it is needed. There is so much work to be done to maintain a viable agriculture and to assure that farmers have the inputs that are needed to produce a crop at a profit, we in agriculture must pull together for the common good. We can approach problems from different perspectives, but we must have a common goal to assure that we do not become subject to those nonagricultural interests, whose goals are different from our own, but whose influences are greater.

Mr. Chairman, members of this committee, we are grateful for your interest in our problems and for your presence here in Minnesota, allowing us the opportunity to meet with you. We thank you very much for your time and we wish to inform you that our staff in Red Lake Falls is available to you at any time, as am I and the other members of the Association of Minnesota Wheat Growers Board, should you ever need anymore information from us.

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The primary purpose of farm programs should be to maintain a productive and viable agriculture at the producer level. We urge Congress and the U.S. Department of Agriculture to solicit the views and to give primary consideration to the inputs from the farming commodity organizations in the formation of the 1981 farm bill.

Thank you very much.

Senator BOSCHWITZ. Don, who is—you just got a new staff director up there in Red Lake. What was the name, again?

Mr. LOESLIE. Merle Hedland.

Senator BOSCHWITZ. Merle——

Mr. LOESLIE. Merle Hedland. We feel very fortunate in having Merle. Merle worked 6 years in Washington in U.S. wheat and I think he's here, if he would wave his hand.

Senator BOSCHWITZ. Big guy.

Mr. LOESLIE. Yes. He's big enough to go bear hunting with a switch.

Senator BOSCHWITZ. Boy, I tell you, I don't meet a lot of folks who move from Washington to Red Lake Falls. Most of them, once they get down there, sure seem to like it.

Mr. LOESLIE. I also feel fortunate working with his international exposure.

Senator BOSCHWITZ. You also feel fortunate——

Mr. LOESLIE. Working with his international exposure.

Senator BOSCHWITZ. I think that's very good.

Of the grain produced in this country now, what percentage is exported?

Mr. LOESLIE. Of our grain, about 60, 65 percent of our wheat is exported.

Senator BOSCHWITZ. You mentioned the reserve program which is the principal subject of discussion this morning—so I appreciate your remarks on other elements as well. And you mentioned—did you hear Governor Quie earlier on?

Mr. LOESLIE. Just the very end of his testimony.

Senator BOSCHWITZ. He mentioned that the reserve programs have a tendency to dump on the marketplace, as you did. The reserve also effectively serves as a ceiling, you said, at the time the trigger price is reached. And he talks about staging at that point, and you talk about the possibility of continuing the storage payments until the release level is reached. Have you any position papers on that particular point?

Mr. LOESLIE. I'm not aware that our group has a position file at this time. Our State convention will come up later this year and I'm sure it will be addressed. We're really concerned about having those—they're too low right now and now we have had an increase but I would really be a little bit leary about us not getting those rates up high enough because the grain is there and people always do know it's there and it is a depressant on the market in its present form.

Senator BOSCHWITZ. We just introduced some legislation that, the day after we introduced it, we passed it in the Senate and the day that we did so, the Department of Agriculture saw fit to make the raises that you alluded to.

Mr. LOESLIE. Senator, you mentioned about the reserve program, about the interest in the first year. I don't know if my arithmetic is

right, but if we have a $3 loan and 11 percent interest, that would figure to be 33 cents. We're being paid 26½ cents, so actually it's a cost to go into that program that first year and I think, in our particular area being that Minnesota and the Dakotas are more of the residual supplier than the rest of the Nation, although the Nation is, as a whole, for the world, I think there would be a great deal of benefits for our particular area if we could somehow sidestep that.

Senator BOSCHWITZ. There was a forgiveness of excusal of the interest that was in connection with the embargo, I believe; wasn't it?

Mr. LOESLIE. I believe so.

Senator BOSCHWITZ. Well, thank you very much, Don—unless there is something further you want to say, or Merle, perhaps. Please be in touch with us. We found your input to be very helpful and, as you see—I say to all of you—as you see the farm bill develop, continue to be after us a little bit because our attention in Washington is so divided that, as you see your own interests affected, don't hesitate. Others don't hesitate, so you shouldn't, either.

Mr. LOESLIE. I would like to make one more comment, if I may.

Senator BOSCHWITZ. Pardon me. Senator Jepsen?

Senator JEPSEN. Don, on this revolving fund you recommend for credit, who would you have administer that? CCC?

Mr. LOESLIE. I don't know. I'd feel more comfortable if I could ask Merle the answer to that question. He's got a lot more expertise in that particular field.

Mr. HEDLAND. Yes, I think we would prefer the CCC do that. We can take the interest coming back from the current outstanding loans, which are for 3 years, and just put that interest—instead of running it back into the Treasury—put it into the revolving fund managed by CCC. Then, those funds can be used each year to help export assistance financing programs and then it's a profitmaking program. It's repaid with interest so that the principal and interest can come back in and, over the period of years, this can grow. So keep it into—within the USDA, and preferably at CCC.

Senator JEPSEN. We fought that battle, I'd point out, this year and we are going to continue to. I agree with you. We'll do what we can in that.

Mr. RUSSELL. There was a bill, Don and Merle, that was introduced by Rudy and Senator Morgan from North Carolina to establish a revolving fund for the CCC export financing program.

Mr. LOESLIE. I would just like to make one more comment, if I may, in regard to the embargo. I don't think it is our intention to write foreign policy for this country, but it is our position to speak for the wheat industry and when we do have an embargo, if it is national security that is of interest, then, the cost should not be borne by 3 percent of this Nation's population.

Senator BOSCHWITZ. In testifying before the Senate Banking Committee the other day, Dole and I spoke about the fact that farmers, if we really were getting some results with the embargo, you know, it would be one thing. But—and, again, I agree with you, too, Don, that the cost of that embargo should not be borne by a small group of general population. But if we really were getting some results—we are getting some results. The rural parts of the country are suffering

not just from the farmer, but everybody else around him who relies on him, and that's not an unsubstantial number.

Senator JEPSEN. May I add something for the record? That keeps coming up? I wasn't intending to do this, but in reading the paper this morning, I find a very high-level official of our Government, the Vice President, was out here yesterday and took credit on the embargo for high prices and the fact that it is responsible for lack of red meat on the table. Now, that's absolutely inane. Anyone who has a little bit of an idea of what farming is all about, knows it takes 283 days once a cow is bred for a calf to be born. After a calf is born, it takes a minimum, a minimum of 14 months to—depending on what part of the country it is—to 18 months to put the red meat on the table. Therefore, we're talking about a very minimum of 24 months for any red meat to be affected. Now, the embargo has only been in effect 7 months. It is absolutely, totally an impossibility for red meat to be affected on the table in Russia on the basis of the embargo since it's been in effect. Now, if we want to measure it 24 months from now, of course. But the logic of that and I think the underestimation by this administration of the intelligence of the American people, and especially the American farmer, is something that's kind of hard to understand because they're a lot smarter than that and I guarantee you, we can count.

Senator BOSCHWITZ. Well, early on, as you know, early on, Rog, in the discussions of the embargo, they said that there would have to be slaughtering down in Russia of beef and other cattle and other animals and they would initially have a larger meat supply because of that, and the slaughtering would have to come about because of the decline in imports. As you may also know, Don, the largest wheat-producing country in the world by far are the Russians and they, however, feed as well as consume wheat. And I think their total needs are 228 or 230 million metric tons and in their short year, they produced 180, approximately, and they were looking to us for the balance. Most of that they have gotten and the probability of what the Vice President said—that red meat is not appearing on the table at this point—as Senator Jepsen points out, is really remote.

Thank you very much, again.

Mr. LOESLIE. Thank you.

Senator BOSCHWITZ. The next witness is going to be John Himle of the Minnesota Agri-Growth Council. John is also an old friend.

STATEMENT OF JOHN HIMLE, EXECUTIVE DIRECTOR, MINNESOTA AGRI-GROWTH COUNCIL, MINNEAPOLIS, MINN.

Mr. HIMLE. First of all, I would like to say, Mr. Chairman, Senator Jepsen, that Mr. Schwandt, our president, was not able to be here today and, consequently, that's my presence—although I would have been here anyway. But my name, for the record, is John Himle. I'm the executive director of the Minnesota Agri-Growth Council and, for your information, the Agri-Growth Council is a statewide, membership-supported organization. It represents nearly every facet of agri-

business along the food chain, including producers, handlers, processors, marketers, financial institutions. We have cooperatives, independents, large and small. The question can clearly arise that, in light of that diverse group, what really are the issues that can hold this kind of organization together? And I can answer without any hesitation that the one issue that stands in the forefront in this regard clearly is transportation and, if I can diverge off the farm program, I'm going to be limiting my comments to the transportation issue.

Senator BOSCHWITZ. That's OK. I believe that one other group will also direct—the corn growers—are also going to direct remarks to transportation. While it is a day early, it's nevertheless timely.

Mr. HIMLE. Thank you. I would just like to say, there really is no other issue that clearly impacts on all aspects of the agricultural industry as does transportation. It affects the farmer who's trying to find a good market for his products, the elevator and terminal that must move those products, the fertilizer-implement-petroleum dealers that are responsible for the input items, and the food processors who must ship their finished food products around this country and to the world. Let me first begin with a short historical perspective. I think it's important to keep in mind that much of our current transportation system for agricultural commodities was designed in the late 1800's and early 1900's. Nearly all the commodities that were grown or raised on the farm, were either consumed or traded in that immediate area—although wheat and corn required processing, which then led to the formation here in this area, the city of Minneapolis, the "Mill City," as the center of agricultural transportation because of its navigable river location. Now, railroad companies with their large land grants engaged in the western expansion and into the rich prairies of this region, bringing more people to till the soil and develop the towns, and roads were built to complement the railroad expansion, which provided transportation to the railroad towns. Branch lines were eventually established with country elevators on them to feed into the main rail lines. Now, in the late 1900's, America fell in love with that new vehicle which we know as the automobile. As the automobile grew in popularity, so did the demands in Government to provide a nationwide highway system for them to travel on. Tax dollars were used to build the highways and to pay for their maintenance. Passenger travel fell from rail to automobile and the situation was further complicated with the emergence of trucks for short-haul commodity movement. Trucks and autos could move at will on no set schedules with low-cost energy.

Consequently, the railroads made the only practical business decision that they could at the time and that was to abandon the passenger and short-haul traffic and regroup for a long-haul, main-line rail transportation system. However, two significant events have taken place in recent years to now raise the issue of an inadequate transportation system for agricultural commodities. No. 1, in response to both rapidly increasing production and worldwide food needs, our marketing system is now very much forced into a global perspective: and, No. 2, energy is in short supply and its cost is now a significant factor

in the pricing structure. And underlying the energy cost factor, of course, is the important social issue of efficient utilization.

For the purposes of this discussion, and I would suggest any future discussions on this particular issue, attempts to affix blame for our current problems is nothing more than a breathless waste of time. Let's deal with the facts of today and let's get on with solving the problem.

In Minnesota alone, we have seen dramatic increases in our agricultural production capacity. The average yield per acre of corn in 1927 was 31 bushels to the acre. Wheat was 11.7. Soybeans in 1934—those are the earliest records available—yielded 15 bushels to the acre. Not only have yields per acre increased dramatically since that time, but total statewide production in 1977 increased 789 percent for corn, 628 percent for wheat and a whopping 444,500 percent for soybeans, and obviously farmers did not have very much soybean acreage in 1934. Now, Minnesota farm producers marketed approximately 16 million metric tons of major grain commodities in 1977. Commercial, nonfarm receipts of grain commodities in 1977 totaled 22.2 million metric tons with 55 percent originating within Minnesota and 45 percent coming from out of State, with over 86 percent of the out-of-State receipts originating in North and South Dakota, and production in the Midwest alone has increased some 45 percent in the last 8 years.

In light of this dramatic and I might add commendable increase in our farmers' production ability, let's look at our current transportation situation. The Mississippi River, our vital waterway link between here and the gulf ports is choked to capacity, especially with the antiquated locks and dam 26 at Alton, Ill. Minnesota's world port in Duluth and its neighbor in Superior, Wis., remain, today, as an often overlooked and unpromoted shipping outlet that is strapped by unjustified shipping season of only 8½ months. The four locks at Sault Ste. Marie, Mich., and the Welland Canal loom on the horizon as a shipping issue as important as locks and dam 26.

Minnesota, like so many other areas in this country, has witnessed the sad deterioration of its rail system. Between January 1967 and July 1980, 1,497 miles of railroad tracks were abandoned in Minnesota leaving a total of 6,894 miles. Now, granted not every mile of rail line should or needs to remain in service. However, of the 149 communities in Minnesota with less than 9-ton road access, 64 of those communities are not served by railroads. An examination of how grain was transported to the Twin Cities and Duluth-Superior terminal facilities reveals a dramatic shift in mode from rail to truck in only 5 years—and I might point to the attached tables which I have attached with my testimony. Nationwide, an estimated 25,000 miles, or 40 percent of the rail system, main line and branches, has deteriorated to the point of requiring slow orders of engine speed to avoid derailment.

GRAIN RECEIVED—MINNEAPOLIS-ST. PAUL TERMINAL FACILITIES,[1] 1975–79

[In thousand metric tons]

Commodity	1975	1976	1977	1978	1979
All wheat	3,191.9	3,194.2	3,384.2	2,826.9	3,342.2
Percent truck	(37.9)	(43.6)	(50.6)	(61.8)	(64.1)
Corn	2,195.4	2,266.3	1,963.0	2,541.6	4,687.8
Percent truck	(70.2)	(69.3)	(73.7)	(88.1)	(94.0)
Soybeans	756.7	797.6	894.2	1,843.7	1,666.4
Percent truck	(81.9)	(79.7)	(80.9)	(92.8)	(96.0)
Oats	534.3	471.3	566.0	538.0	417.2
Percent truck	(13.7)	(9.9)	(24.4)	(26.4)	(31.8)
Barley	817.6	924.6	754.3	744.8	893.3
Percent truck	(6.7)	(8.0)	(6.6)	(8.6)	(7.2)
Rye	87.1	104.0	69.3	79.4	115.5
Percent truck	(31.5)	(34.4)	(36.4)	(42.6)	(45.5)
Flax	216.8	287.2	231.9	283.2	302.1
Percent truck	(83.0)	(79.3)	(82.9)	(90.7)	(91.6)
Sunflowers[2]				165.1	253.9
Percent truck				(79.9)	(66.4)
Total	7,799.6	8,044.8	7,862.6	9,022.4	11,678.4
Percent truck	(47.5)	(49.3)	(54.5)	(70.1)	(76.2)
Percent rail	(52.5)	(50.7)	(45.5)	(29.9)	(23.8)

GRAIN RECEIVED—DULUTH-SUPERIOR TERMINAL FACILITIES,[1] 1975–79

All wheat	4,960.8	3,581.1	4,145.3	6,080.6	5,248.1
Percent truck	(27.8)	(34.6)	(30.5)	(39.9)	(48.9)
Corn	344.0	31.63	156.7	1,465.6	1,455.2
Percent truck	(6.5)	(9.0)	(10.8)	(22.8)	(25.2)
Soybeans				127.2	91.4
Percent truck				(55.3)	(56.5)
Oats	157.5	106.3	153.8	158.0	27.3
Percent truck	(28.4)	(33.8)	(27.7)	(62.4)	(61.9)
Barley	431.9	1,001.7	1,187.5	617.4	665.3
Percent truck	(27.7)	(60.8)	(79.1)	(49.8)	(45.9)
Rye	64.7	18.9	26.4	29.2	80.3
Percent truck	(35.8)	(63.8)	(36.7)	(70.3)	(37.1)
Flax	18.1	5.6	26.0		
Percent truck	(52.5)	(56.1)	(75.0)		
Sunflowers[2]				1,207.2	1,263.7
Percent truck				(71.8)	(78.7)
Total	5,976.9	5,029.8	5,695.7	9,685.2	8,831.3
Percent truck	(26.7)	(38.3)	(40.2)	(42.6)	(49.2)
Percent rail	(73.3)	(61.7)	(59.8)	(57.4)	(50.8)

[1] Minneapolis Grain Exchange annual reports
[2] Reliable statistics prior to 1978 were not available

Senator BOSCHWITZ. Excuse me. Do you have any figures on that in Minnesota? How many miles in Minnesota?

Mr. HIMLE. No, I don't.

Senator BOSCHWITZ. Can you get that for me?

Mr. HIMLE. I can get that.

Our highway system has now become the branch lines, in some cases the main lines of bulk commodity movement in our country. With the increased burden of heavy traffic on our roadways and bridges, we have obviously seen a rapid deterioration of the system to the point where highway funds can't even maintain existing road structures. It's important to keep in mind that the bed for most of the Nation's trunk highways were built in the 1920's and 1930's and yet they're forced often to handle more than twice the axle weight that they are designed to sustain. Clearly, we must take this unmet agenda of critical transportation needs and translate it into a working, intermodal, and efficient transportation system. Now, I might point out that

in terms of an overall approach to this question, I respectfully suggest that we have had enough 5- and 10-year studies. We've had enough expert policy committees. If we are to attempt to fine tune our theoretic solutions any further before real and constructive action is taken, we will have lost before we've even started the race.

First of all, we must recognize that water is the most energy efficient and least expensive transportation mode for bulk commodity. With that fact in mind, we must insure that our Nation's ports—especially those serving the agricultural sector, receive the needed development to facilitate our expanding international exports. The Port of Duluth-Superior must be high on that priority list, as well as the needed upgrading of the locks at Sault Ste. Marie and the Welland Canal. The shipping season on the Great Lakes must be extended to an absolute minimum of 10 months. The construction on locks and dam 26 at Alton, Ill., which began last April, must not be delayed at any juncture now during the 8- to 10-year project.

Second, this Nation must undertake a mammoth restoration program to rebuild the deteriorating rail beds, which would then again form the vital arteries to move our agricultural production from the heartlands to the water's edge. What has been allowed to happen to these railroads is nothing short of a shameful national disgrace. We need a solid commitment from the highest levels of our Government to join with private sector in this critical undertaking. A band-aid approach of nickel-and-dime handouts for day-to-day cash flow is not the answer. The physical structure must be overhauled and the railroads simply do not have the financial resources to do it.

And, finally, our highways and bridges must be upgraded and adequately maintained for them to feed into the rest of the system. And I realize that solutions are more easy to point out than to implement and I only offer what I have stated as broad guidelines, but I am also cognizant of the fact that agricultural transportation hasn't been as sexy politically as putting a man on the moon or as finding the solutions to our energy independence. However, I dare say that this issue is equally, if not more, important. Economically and socially, we have the greatest nondepleting renewable resource in America's capacity to produce food. This is an industry that last year contributed over $32 billion to help our foreign balance of payments and this year could top over $40 billion and, most importantly, we cannot lose sight of agriculture's greatest contribution—the production of our most basic human need, and that is food. This industry is attempting to meet the challenge of feeding a hungry nation and a starving world. But to meet this most important challenge, we need adequate and efficient transportation. The time has come to bite the bullet and unless we can muscle up the political and economic courage to effectively deal with this issue, we most certainly will rot in our own productivity. Thank you.

Senator Boschwitz. Thank you very much, John, and I must say, I don't know exactly what to do. I agree with your nickel and dime—your opposition to the nickel-and-dime handouts of day-to-day cash flow of railroads and sometimes it gets difficult to know what to do when that railroad becomes the Rock Island or the Milwaukee Road. and I agree that there has not been an overall transportation policy,

that I'm aware of, that's been developed at least in the Senate, and I hope to—I have not been much involved and I hope to become more involved in that in the next session, in the next 2 years, and I may indeed make some moves committeewise to assure that.

Roger?

Senator JEPSEN. Very serious problem and very good presentation. There are 72 railroads in this country, some of them operating very profitably. So when railroads decide to run a railroad rather than invest in fast-food chains and motels and ritzy spas and this type of thing, they don't do very well. But those who are concentrating on running a railroad, there are some that do it very well. The problem is our Government has got so much redtape, so many regulatory reasons for not letting the railroads who do operate profitably, absorb and restructure the ones, and buy the ones up that aren't running very profitably, and that's one of the things we are working on now to do. I had held a conference in Iowa a few weeks back. It was called "How to Buy a Railroad," and we may do some of those things across the Midwest and expand that. It's something we must do and, for national security reasons—which is the only reason I would perceive to the Government taking over the railroads.

My experience has been, when the Government gets involved in something, it doesn't operate so very efficiently. I would rather have the private sector do it. But one of the same things we were talking about earlier, we have got to get rid of this adversary relationship that we have between the Government and the private sector, the Government and the people, the Government and small business, and the Government and large business. Just got to get rid of that adversary relationship. And in the trade area and the things we're talking about here, prices and all this sort of thing, one of the reasons we're behind the eight ball like we are with regard to trade export prices, this sort of thing, is that every other nation in the world—multilateral trade negotiations brought this home very clearly—every other nation in the world has trade boards, has governmental boards that cooperate with their producers. That's, you know, work side by side. That's the type of climate we've got to get. That's the type of climate we've got to get in our regulatory agencies. We've got to have a partnership and I just take this platform to punch that home one more time. I'm going to talk about it all over the country, to many others out of this year. That's the first step to making it happen is for people, who are in a position to do something about it, to start educating the public.

Thank you. I didn't mean to give a speech.

Mr. HIMLE. Your comments, we find a lot of agreement with. And I might point out, in Minnesota, we have a State program which is the Minnesota rail service and improvement program whereby it's a cooperative arrangement between the railroads, the State of Minnesota, and the shippers who put up the front money to help in the revitalization of that line, and I think that's clearly the way that we have got to go. They have an investment in it. When they have an investment in it, they're going to use it and I suggest that as a possible avenue, too.

Senator BOSCHWITZ. Right. I don't know exactly how to interrelate the railroads that are doing well with their business. To some degree that's good management. To some degree it's luck. They've got their

routes in the right spot as the economy has developed. I will be really taking a close look at that and I thank you very much.

Senator BOSCHWITZ. Gary Martens of the Minnesota Association of Farmer-Elected Committeemen is going to be our next witness. It says on his card that he's nonpartisan. What's that mean?

Senator JEPSEN. That means he's for everybody.

Senator BOSCHWITZ. Like you and me?

Senator JEPSEN. Yes.

Senator BOSCHWITZ. Gary?

STATEMENT OF GARY MARTENS, PRESIDENT, MINNESOTA ASSOCIATION OF FARMER-ELECTED COMMITTEEMEN, MORA, MINN.

Mr. MARTENS. Thank you, Sentaor Boschwitz, Senator Jepsen, honored agricultural leaders from Minnesota, and guests. My name is Gary Martens, I am president of the Minnesota Association of Farmer-Elected Committeemen and Midwest area director of the national. I am a dairy farmer from northeastern Minnesota. I am proud to be an American farmer. I am proud that as an average farmer, when I go to bed each and every night, I have produced enough food to feed 56 other people. I am proud that I am producing enough food so we can give to the underdeveloped countries through the Public Law 480 food programs, food for hungry people. I'm proud that it only takes less than 4 people out of 100 to produce all this food.

I am not proud that more than 1 person in 10 are receiving food stamps. I am not proud that the national farm debt is the highest in the history of these United States. I am not proud that we have more people than ever qualifying for FmHA loans. I am not proud we can't keep our children on our farms because they cannot make a living with today's prices. I am not proud that the net farm income is down $21 billion, or 38 percent.

Who is to blame for all this? Is it the farmer? Is it the Government? Or is it labor? I believe we are all to blame. We, as farmers, cannot get our act together. When we go to Washington to try and lobby our legislators for farm programs, we don't go as a group with a unified proposal; but each and every farm organization goes with their own proposals, usually never consulting with the others as to what common goals they can go with as a unit. There are only about 40 Representatives in the House that have a farm voice, leaving about 395 that have no reason to back farm programs. I believe we will see a change in attitudes of the major farm organizations as we have four newly elected presidents of the largest farm organizations within the last year. We have seen a move in this direction already. This is one reason NAFEC was charter member of the farm coalition made up of 26 farm organizations and commodity groups.

Last year we had record yields in five of the major crops—corn, wheat, cotton, soybeans and sorghums. Not since 1958 have we had record crops in all five. Can we blame the low farm prices on our production? Despite the embargo to Russia, total grain shipments are 6¼ percent above last year and 1979 was an all-time high. Sales are $38 billion or $6 billion more than last year, leaving a trade balance of $19 billion or 17 million more tons than last year. This also takes

into account $5 million to Iran in 1979 and 1980, zero. Today we have about one and a quarter billion bushels of grain in the reserves, three-quarters corn and one-fifth wheat. The present reserve program works on the top end to keep prices from going very high, but does little for the lower end. With today's new prices on loan rates, we have corn at $2.40 and wheat at $3.30 per bushel. This does not even cover the cost of production.

When we were in Washington, D.C., for our annual policy conference in July, we had Mr. Howard Hjort, the chief economic adviser to the Secretary of Agriculture, speak before us. He gave us charts showing when you take into consideration all expenses incurred in planting to harvest, including the land, for the average renter, $3.05 per bushel for corn and $4.85 for wheat. I am enclosing those charts for your inspection with my remarks.[1] They also include cotton and soybeans and are quite accurate. Is it any wonder we can't get farmers into the programs. We have spent $10 billion for the food stamp program so far this year and this will not take us to the year end.

We have two basic problems today in the United States; energy and inflation. It affects all of us in the city or on the farms. It is interesting to note out of 100 people 63 are employed by government. The biggest increase is not in Washington but in our local and State offices. If you don't believe me take a walk through all the local government offices you have in your own community and compare that to 5 or 10 years ago. Government regulations also increase the cost of doing business.

We also need a commitment by the Federal Government toward agriculture. This is the problem today. Regardless of which administration is in power or which party controls Congress, we need a Federal commitment. We need a dedication from the Federal Government that agriculture must survive. The family farm must survive. We need to forget the cheap food policy. We need a commitment to further development of agriculture to retain the family farm. How do we do this?

All farm programs in the future should include tax rules and laws we operate under, the credit programs of agriculture, marketing systems of argiculture, research and development projects all be oriented toward the family farm system.

The new agricultural programs must eliminate railroads, insurance companies, conglomerates, institutions with major sources of income other than farming, ineligible to participate in and receive benefits from farm programs. Only bona fide family farm units be eligible. We also need to change the present farm programs so farmers can utilize the modern minimum and no-till equipment to keep this Nation's most valuable resource—our soil—in place, and to do this it takes money for new and better equipment.

How do we accomplish all this and sell it to our city cousins and the lawmakers?

NAFEC proposes the following:

No. 1, do away with the set-aside target prices, diversions, and normal crop acres. NCA is the most unfair part of the present farm program. When we have a young farmer buying out a farmer

[1] See p. 174.

near or at retirement age, in many instances, the older farmer has slowed down his operation because his family has grown and left home and doesn't need to farm as big as in the past. When the new operator takes over, there isn't enough NCA on the farm to generate the dollars needed to pay off the debt, buy equipment, and raise a family. We, as a county committee, are limited to the acres we received from the national and State committee. Some farms have all tillable land in NCA and others less than 50 percent.

No. 2, keep the reserve program. We need to have a reserve because no one can predict a disaster or drought 1 year in advance. With the sophisticated tracking satellites we have today, we can predict crop failures around the world. Today's market is a world market.

No. 3, a cost-of-production loan. The cost-of-production loan shall be based on total costs using the same formula as used in the charts submitted by Mr. Howard Hjort with an annual update every year.

No. 4, in exchange for a cost-of-production loan, every farmer going into the program shall set aside 20 percent of his tillable acres and not produce any program crops on these acres. Hay could be one of the crops and the farmer could harvest it.

The county committee shall have the authority to reduce, from the 80 percent, any land on which proper conservation practices are not performed. We must control erosion and this could be done by diversions, stripcropping, grassed waterways, contour farming, field strips, or any other conservation practice. This type of program will stop the fence-row-to-fence-row cropping we have in some parts of the Nation. It also gives the farmer the freedom of selection that is needed to farm. We keep the free enterprise system and it's fair to all farmers.

Where will the money come from to have such a program? If half of the grain grown goes into the price support, it would take $20 billion. With the budget-balancing pressure in Congress, this much more money probably could not be appropriated. What other alternatives do we have? Congress could uncouple the reserve and release language from all grains, strengthen the loan substantially for farmers who wish to participate in that reserve, and continue the storage payments. Those farmers who do not want to go into the reserve, make a purchase agreement contract—a contract the farmer could take to any bank or PCA and convert to cash.

Instead of drawing on the Treasury, CCC would come in with an insurance contract and farmers could use the private lenders to finance the loans. The advantage of this program is CCC would not have to go to the Treasury for an appropriation. Another advantage is we are using our local lending agencies which would also strengthen the local economy. In the event a loan is not paid off by the farmer, the insurance contract would pay the agency in full and CCC would take control of the grain. The contracts could be for 6 months, 9 months, or 1 year. The interest charged would be the going rate of that agency—interest being subtracted from the gross, leaving a cost-of-production loan less interest charges. I believe the cost of such a program would be more than offset by the complicated time-consuming program we now have today. Do we want programs that create man-hours in our

offices or programs that work? I believe this type of program will work.

What are the alternatives? We have it from a high-ranking official in the Government that 10,000 producers will produce the vast majority of production. This will mean corporate farming. It will mean, instead of paying 16 or 17 percent of the disposable income for food, you will be paying 30 percent and over.

Senator, I believe you will have to admit the programs we have today are just not working. No segment of any farm operation can exist when they sell their products at less than the cost of production. If we are going to have farm programs, let's have them that work for the consumer and the farmer because where will the consumer turn for food if American agriculture fails.

Thank you, Senator Boschwitz, and Senator Jepsen, for the opportunity to present our views on agriculture.

Senator BOSCHWITZ. I appreciate the views. I have to absorb the plan that you have outlined on page 5, try to get this into my mind, how that would interact with the lending systems and how much credit would be available, if that credit would be available on the local basis. I appreciate the—this is a different approach. I appreciate it.

I'm not aware that railroads, insurance companies, conglomerates, institutions with major sources of income—other than farming—participate or receive benefits.

Mr. MARTENS. They do out west, Senator.

Senator BOSCHWITZ. I'll have to look into that a little bit more because I quite agree with your statement, that there is not a need for subsidization or a support of those folks.

But I found your statement most interesting and most provocative and we probably are going to be back to you, particularly about the statements you made here on page 5, to try to establish in our own minds how those things would operate.

Roger, do you have any questions?

Senator JEPSEN. I really don't. Very well presented. I want to get the name of your speechwriter after the hearing.

Mr. MARTENS. I'm afraid that was me.

Senator JEPSEN. Very well done.

Senator BOSCHWITZ. Thank you very much.

Mr. MARTENS. Thank you.

Senator BOSCHWITZ. Roger Asendorf, we have next, and Roger is with the Minnesota Soybean Growers Association.

Roger, we just heard some interesting statistics about the explosion of soybean production, which I know has been very meaningful to the farm community.

STATEMENT OF ROGER ASENDORF, PRESIDENT, MINNESOTA SOYBEAN GROWERS ASSOCIATION, MANKATO, MINN.

Mr. ASENDORF. Thank you, Senator Boschwitz and Senator Jepsen and Randy for this chance and this opportunity to present our stance that we would like to see implemented in the 1981 farm bill.

My name is Roger Asendorf and I'm here today in my capacity as president of the Minnesota Soybean Growers Association. I'm a farmer

and live near St. James, Minn., where I raise soybeans, corn, and small grains.

Minnesota ranks fourth nationwide in the soybean production. Soybeans are this State's No. 1 cash crop with a share of 16.2 percent of the total cash receipts by farmers of this State. Minnesota Soybean Growers Association is a nonprofit, volunteer, single-commodity association organized to assure a profitable soybean industry. In order to preserve the profitability of soybean production and help soybean growers, my association would like to stress several issues which should be considered while working on the new farm bill.

No. 1, the Minnesota Soybean Growers Association favors keeping soybeans free of acreage allotments, marketing quotas, target prices, and set-aside programs.

No. 2, the Minnesota Soybean Growers Association would like to see the elimination of the cross compliance provision which prevents soybean growers from participating in the soybean loan program.

No. 3, the geographical location of Minnesota and its soybean production areas, penalizes the soybean growers with a lower loan rate than the normal average or the national average of $5.02 per bushel. Provisions should be made to offset this unjustifiable procedure by either eliminating the loan price difference or decrease the interest rates for those reduced-rate loans. As an example, for each 5-cent reduction from the highest loan rate in the Nation, farmers should, in turn, be compensated by a 1 percent decrease in the interest rate charged on that loan.

No. 4, we oppose any grain or oil seed crops being produced or designated on set-aside acreage.

No. 5, the Minnesota Soybean Growers Association is opposed to the Commodity Credit Corporation or any Government agency becoming the negotiator or sales agent for export sales of U.S. soybeans or other agricultural commodities.

No. 6, the Minnesota Soybean Growers Association recommends that Federal funding be continued for foreign-market development at the level equal to that provided by the growers and increased at an annual rate commensurate to world inflation rates and increased sales needs.

No. 7, the Minnesota Soybean Growers Association urges the Federal Government to continue extending loans under the CCC credit program, which are money-making propositions for the Federal Government since the loans are made at interest rates in excess of the cost of borrowing by the U.S. Treasury. In fact, there has never been a default on a CCC credit export loan where the U.S. Government has lost some money. However, the President's fiscal year 1981 budget calls for the complete elimination of direct export credit with the program to be replaced by what we feel to be a less effective loan guarantee program. The results will likely be less than maximum exports of soybeans and soybean products. The Department of Agriculture has the authority to offer up to $2.2 billion in CCC export loans for the fiscal year 1981. The Minnesota Soybean Growers Association supports the inclusion of a provision in the appropriations bill requiring that at least $1 billion in direct export credits be extended in fiscal year 1981. Such a provision would ensure the continued availability of direct CCC loans to importing nations abroad.

Senator BOSCHWITZ. Pardon me for interrupting you, but what percentage, Roger, of soybean production is now exported?

Mr. ASENDORF. Sixty-one percent of the Nation's production. Every other row of soybeans grown in the United States goes for exports.

Senator BOSCHWITZ. I believe we have both, on the Agriculture Committee, taken an interest in you point No. 7 and that brings us back again to the bill that Senator Morgan and I introduced in order to prevent this from happening, because we agree that just the loan guarantee is not going to cut it.

Mr. ASENDORF. We were very happy to see that revolving fund thing come into play.

Senator BOSCHWITZ. Right.

Mr. ASENDORF. We feel that that could be a very important part of the CCC credit program and, not only that, but it could be self-sustaining——

Senator BOSCHWITZ. Right.

Mr. ASENDORF. Available funds for future exports and it wouldn't cost the taxpayer a penny.

Senator BOSCHWITZ. Right, and there have been no losses, I might point out.

Pardon me. Point 8?

Mr. ASENDORF. The Minnesota Soybean Growers Association urges the Congress of the United States to allocate additional funds for agricultural research and extension, including funds for soybean production and utilization research in the U.S. Department of Agriculture and other governmental research funding agencies.

No. 9, recognizing that the American people have access to the most plentiful supply of healthful, nutritious food of any nation in the world at reasonable prices, we abhor the efforts of the USDA to influence the diets of the American people by disseminating information that is attempting to create an atmosphere of fear and distrust toward our agricultural products. The Minnesota Soybean Growers Association urges the USDA to consider "Toward Healthful Diets" and other scientific data before making broad recommendations on nutritional guidelines. The Minnesota Soybean Growers Association supports the formulation of an agricultural commodity association nutrition policy group to represent the interests of agricultural producers. We also urge Congress to follow guidelines adopted at the working conferences on research to meet the world food needs to provide adequate future supply of food for the world.

No. 10, the Minnesota Soybean Growers Association requests the immediate suspension of the current grain embargo. We further object to the using of the abundance of American agriculture as a retaliatory foreign policy tool at the expense of the farm producers in international government-to-government relationships.

I thank you for this opportunity of expressing our feelings and should you have any questions, I would be glad to answer them or they could be written and sent in to our Mankato office.

Senator BOSCHWITZ. Do you have any questions?

Senator JEPSEN. No questions. Very good presentation and you brought up some especially good points. No. 9 is the first time, I think, it's really been mentioned in that exactitude and you are absolutely

right. The nitrite announcement just the other day is a good example. There was never any talk when they talked about the fact that the evidence was conclusive, which many of us have been saying, writing letters, testifying, and quoting. Dr. Newberne himself appearing before a hearing, his own personal testimony said it was inconclusive. We've been trying to tell Carol Tucker Foreman that for a long, long time but it's amazing what a political election year does, especially when you're behind.

Senator BOSCHWITZ. Think that's a healthy situation; do you?

Senator JEPSEN. Well, it doesn't justify the years and years, as indicated in here, of distrust, of heartaches and headaches and hundreds of millions of dollars of lost money for something that we have been doing—now, we have been rubbing salt on meat for somewhere over 5,000 years. In recorded history, even the cavemen found if you put a little salt in to preserve the meat, it kept you from getting a bellyache—even from dying. And it's unbelieveable. But that's a new day coming.

Senator BOSCHWITZ. I quite agree with your point nine, as well, and I know, of the moneys that have been spent with respect to nitrite folks piling into the office, maybe that's not exactly what you had in mind——

Mr. ASENDORF. Yes, one of them.

Senator BOSCHWITZ [continuing]. But I always told the Department of Agriculture that when they ban a very clear cancer-producing item called cigarettes, why, I would also be behind nitrite. But, again, it's things that have been mentioned earlier today and that is that the agricultural segment—particularly the farming segment—that it is beseiged by people in our business and our line, politics could be a declining segment in our population and has lost some of its political clout.

Thank you very much and I want to push along because we are going to extend our hearing beyond the time.

Senator BOSCHWITZ. Glen Annexstad, old friend from down in the second district near Le Sueur, and Glen is with the Minnesota Corn Growers Association. Take it from there.

Mr. ANNEXSTAD. Thank you, Rudy.

Senator BOSCHWITZ. Glen is not nonpartisan.

Mr. ANNEXSTAD. What was that?

Senator BOSCHWITZ. I happen to know him so well.

Mr. ANNEXSTAD. Is that I'm nonpartisan?

Senator BOSCHWITZ. No. No. I said you're not.

Mr. ANNEXSTAD. OK.

STATEMENT OF GLEN ANNEXSTAD, MINNESOTA CORN GROWERS ASSOCIATION, MANKATO, MINN.

Senator Boschwitz, on behalf of the Corn Growers Association, I would like to thank you for allowing us this opportunity to speak for you. My name is Glen Annexstad, and I'm speaking in place of our president, Ray Thorn, and I would like to also apologize, Senator Boschwitz. I came a day early. Our small presentation is on transportation rather than farmer-held reserve.

Senator BOSCHWITZ. That's OK.

Mr. ANNEXSTAD. And after having listened to John Himle's presentation, there's very little to add to that, but I'll make it as short as I can.

The future of this country is dependent on the American farmer for a lot of things, especially the production of those commodities which sells overseas to help finance our enormous purchase of corn products. Not only the farmer, but 14 to 17 million people in this country are involved in agriculture or agricultural-related business. Some $63 billion is generated from 1.6 million ag-related jobs and every time the Government interferes with the free movement of corn or other grain, not only the farm suffers an economic loss, it affects all Americans. Just as agriculture is the economic backbone of Minnesota, agriculture is the economic backbone of this great country of ours. Oftentimes, too many people in this country simply take the farmer for granted.

Senator BOSCHWITZ. I might tell you that you really have two senators who believe that statement about agriculture not only being the economic backbone of Minnesota or Iowa, but also of the entire country.

Mr. ANNEXSTAD. Thank you.

All of us here today should accept the responsibility of communicating to the press, the Government and nonagricultural communities, the importance of the farmer and his contribution to world trade and the balance of payments. Exports flowing through the grain industry pipeline link corn and other grains of an individual farmer and his land to the rural communities. That same grain industry pipeline finds farmers here in Minnesota setting up the beginning or the end of that pipeline, depending on how you look at it. With very careful and expanded attention, that same pipeline can help the United States fulfill its humanitarian commitment to the people of the whole world. We find that U.S. agriculture has 12 percent of the world's farmland, 4 percent of the U.S. population producing food for 60 percent of the people of the entire world. Our farmers produce over 48 percent of the world's corn. Our corn moves to terminal evelators by truck and rail. From that point the corn moves by rail or barge to the gulf, east coast, west coast and the Great Lakes ports—and that's where we feel very careful attention is needed.

That transportation pipeline is a real concern for Minnesota farmers. For example, in July, barges on the Mississippi River faced up to a 95-hour delay at locks and dam 26. Even though that facility is under construction, it could be 6 to 8 years before we can realize the benefits; and for 6 to 8 years, we will live with the real fear of complete stoppage of commerce on the upper Mississippi.

The railroad situation is just as critical to farmers in Minnesota. Between January of 1967 and July of 1980, as John mentioned earlier, 1,400 miles of railroad tracks were abandoned, two railroads operating in Minnesota are currently in bankruptcy. We are facing continued deterioration of track and are also losing many of our branch lines. Even if that isn't bad enough, our good friend, Bob Bergland, has advocated that the railroads should be nationalized by the Government. It is of the utmost importance that a transportation policy be adopted, which will bring about cooperation among the various modes of trans-

69-153 O - 81 - 4

portation. Trucks, railroads, and barges each have certain conditions under which they can move agricultural commodities more efficiently than the other. We can no longer have railroads fighting barge companies over locks and dam 26, barge companies fighting against railroad systems' plans, and trucking companies lobbying against the interests of the rail and barge competitors.

Senator BOSCHWITZ. I might say that I pointed out to them, too, that they are undermining their own ability to achieve their end when they seem to not be seeking a common purpose. I very much agree with that statement.

Mr. ANNEXSTAD. OK. And we certainly don't need a Government-owned railroad system.

Senator BOSCHWITZ. Agree with that, too.

Mr. ANNEXSTAD. Good. I thought you would.

We would offer the following as possible solutions to the agricultural transportation issues.

No. 1, expedite the construction of a new lock and dam 26 at Alton, Ill. Extend the navigation system for the Great Lakes-St. Lawrence Seaway. Support legislation to allow a State to establish negotiations between railroads to revitalize rail service via trackage rights and yard consolidation when trackage questions are in abandonment or bankruptcy proceedings. Support legislation permitting railroads and/or shippers to obtain long-range building capital for rail rehabilitation and rail equipment based on a long-term loan program similar to that used in the Federal rural electrification program. Support uniform weight-length laws on the Interstate System and uniform enforcement of weight laws on all vehicles.

We also support the bill to rescind the agricultural commodity export embargo to the Soviet Union.

We believe the system can work, barring any further intervention by Government, and help and more workable transportation solutions. We believe the eightys will be a great decade for agriculture. Exports will play a big role.

As a corn grower organization, we feel we would like to have continued legislation to help with low-interest, long-term agricultural loans to help build alcohol plants for gasohol production which will help this country to be less dependent on foreign oil. Another new product of the corn industry is the corn sweetener and it is certaintly not in competition with the sugar beet farmers but, rather, we would like to cut into that imported sugar that's coming in.

Senator Boschwitz, as you know, history is often recorded in terms of decades such as the decades of the forties, fifties, sixties, and so on. I would hope, as history looks back on the decade of the eighties, that it will be recorded as the decade of the greatest growth in worldwide farm market development ever and the decade when our transportation system was modernized to handle the ever-increasing commodity traffic.

Thank you for your time, Senators.

Senator BOSCHWITZ. Thank you very much.

I told Randy, as you went along, that we really should look into the idea of expediting the construction of new lock and dam 26. That's a very frustrating experience, the long, long delay, and the need for

this is so very clear. I'm not sure what we can do about that. We will, once again, look into the opening of the port in Superior and Duluth for a longer period, or possibly an ongoing period; and through mighty efforts, we got an extra week put on this year and we seem there to have great difficulties with the rail people and we have to figure out where our leverage is with each one of those groups. Also, we have a lot of problems with the hydroelectric people of northern New York, so we will have to figure out where our leverage is because it does irritate me when various forms of transportation or various farm groups or various other groups that I think should have a more unified approach to achieve the desired end, they seem to be protecting a very parochial interest, a very narrow interest.

Senator Jepsen?

Senator JEPSEN. Thank you. Very good presentation.

Mr. ANNEXSTAD. Mr. Chairman, if you would like our position on the farmer-held reserves, I'm sure we can get that to your office.

Senator BOSCHWITZ. Do that. Sure. Just send it to me in Washington and I'll make sure Roger gets a copy.

Senator JEPSEN. How many members do you have in your association now?

Mr. ANNEXSTAD. Active members right now is about 600. There's about 70,000 corn growers.

Senator JEPSEN. It's just really getting off the ground, kind of like Iowa?

Mr. ANNEXSTAD. Right. We're about 2 years old.

Senator BOSCHWITZ. Thank you.

Mr. ANNEXSTAD. Thank you.

Senator BOSCHWITZ. We now have Mike Warner and Berend Davids of the Red River Valley Sugar Beet Growers Association. I thank you for your patience in waiting and look forward to hearing your testimony.

Red River Valley? I see that you're also from the Renville area. Berend, is that you?

Mr. DAVIDS. That's me.

Senator BOSCHWITZ. Yes.

Mr. WARNER. And we thought that maybe with some of the issues which are going to be discussed, we could both help if there's any questions you might have.

Senator BOSCHWITZ. All right.

STATEMENT OF MIKE WARNER, PRESIDENT, RED RIVER VALLEY SUGAR BEET GROWERS ASSOCIATION, HALSTAD, MINN.

Mr. WARNER. I'll introduce myself. I'm Mike Warner. I'm a farmer from the Halstad, Minn. area and I'm the president of the Red River Valley Sugar Beet Growers Association. A lot of the discussion this morning has been on general farm policy, and especially the wheat, soybeans, corn, et cetera, and the heading, in fact, is the farmer-held reserve. But we also noticed that we're talking about the farm bill, and we would like to address sugar on the farm bill.

Senator BOSCHWITZ. Sure.

Mr. WARNER. I might add that, you know, the majority of our growers do raise an awful lot of wheat and barley and it's the major crops on their farms as opposed to sugar beets.

Senator BOSCHWITZ. We had one gentleman from Warren here this morning. Was that——

Yes. You were pretty dry up there. Did you——

Mr. LOESLIE. It's been dry all season long until we got the combines out. We're rearranging that.

Senator BOSCHWITZ. You're in Halstad. Were you in a little better shape?

Mr. WARNER. Just a little bit better. In fact, I would say we were the northern adge of that problem. To the south of us, again, it's improved conditions over ours; and then to the north of us, it was devastating. Really tough to go up there and see what was going on.

Of course, we thank you for the opportunity, Senators, to give our impressions of sugar and the problems we have had. I think anyone that's been around Washington in the last half decade, realizes that sugar needs some help. To those that might say that Government involvement in agriculture is against the free enterprise system, I think we all need to come to the realization that if Government doesn't get in there and protect us just from foreign policy, could very well do the system in.

Senator BOSCHWITZ. I don't think there is any inconsistency with saying that Government needs to be withdrawn a little bit. But on the other hand, there is no inconsistency in saying that Government should prevent something.

Mr. WARNER. Well, as the case in sugar, the free market is actually fiction.

Senator BOSCHWITZ. Right.

Mr. WARNER. It hasn't functioned for several years now. Over the last 5 years, it's been pretty tough. A lot of production has been taken back. UNI has closed four plants just recently when domestic production is falling, and this is in an area where our country only grows 60 percent of its sucrose needs. We import the rest, somewhere in the area of 40 percent. They didn't fail because they couldn't compete. They failed because of this dumping of foreign sugar indiscriminately. We are the only county in the Nation that allows indiscriminate dumping of leftover sugar with no restrictions—the only country in the world. Excuse me. And that——

Senator BOSCHWITZ. Dumping a lot of stuff other than sugar, too.

Mr. WARNER. Yes; with these shoes, et cetera.

Senator BOSCHWITZ. Sure.

Mr. WARNER. I think you can verify that—USDA Foreign Agricultural Service study on world sugar policy, if you want to look into it.

So, what happens, in periods of long supplies, the sugar is dumped on the market. The industry suffers from low prices. In the periods of short supply, which we're going into now, the price just skyrockets, and then the consumer is suffering. We have some relief. Our corn grower friend here mentioned the corn fructose business. We have looked to that to pick up some of the flack of our sweetener needs of the country, but, let's face it. You know, a banker looking at or taking a look at the marketing history of sweeteners is a little reluctant to put

the millions of dollars it takes to put a processing facility in place. The market is too much of a roller coaster.

The other problem we have here is that the sugar production differs, say, from wheat and soybeans. You just don't get a bag of sugar beet seed and throw it in grain rails. It takes specialized processing facilities, skilled staff, specialized farm equipment. In the case of the cane growers, it takes 2 years to mature the crop. So you just don't jump in and out of it. It takes a lot of money and a long-term commitment. Today, we are in a profitable situation. We can't be sure how long that's going to last. We know this, that as a result of the roller-coaster prices, there are no processing facilities for sugar being planned or built at this time.

Senator BOSCHWITZ. As you point out, a number of them shut down.

Mr. WARNER. Yes. Several. Colorado plants, UNI and the two, to our best knowledge, have no intention of going back into the business. They're selling off their equipment.

How to solve the problem? Our group, at least, feels that fundamental to it is to put some reasonable restriction on imports. Some type of control. Some of the things that we have tried or that have been suggested in the past were a loan program, loan purchase program. We do have a limitation on the part of the Secretary, under the power of the Secretary, that's set at 7.2 million metric tons on imports. Well, we only need about four, so the thing is virtually ineffective. It's just about double the rate of actual import needs. So, the exposure to the Treasury gets to be too much and the loan purchase program just isn't viable that way. We have tried tariff and duties with ad valorem limitations, but when the prices slide way, way down, those ad valorems, they have no affect. And you can have Marcos over here in the Philippines with his bins full looking for room for his new crop, he may very well give it to you at any price just to get it out of his hair. So the tariffs and duties we feel have been ineffective.

So we tried a direct payment to the farmers and the corn growers, National Corn Growers filed a suit saying it wasn't fair and that was settled out of court and that question hasn't been resolved.

One thing that's common to the problem we keep running into is the sugar legislation has always been considered independent of the farm bill and yet it's an agricultural product. Because of that, we have been singled out by the media for some pretty irresponsible statements and, to a certain degree, it's been used as a political football even in Congress. Those of us that went down there last year and warned of the folly of letting that domestic industry suffer like this and go backwards, we were accused of being demagogs and taking care of our own little niche in the economy and we also accused—or suggested that the price runups were soon coming and that was just scoffed at. I don't want to seem like a spoilsport, but less than a year ago, the exact things we were talking about have taken place and we were being very truthful and honest and straightforward about the situation. Right now, instead of sugar trading somewhere in the 14-15-16-cent bracket on New York spots, as in 1979, you're talking in the 30- to 40-cent bracket. Doubled and tripled. Plowed right through middle ground and went to a high level and our best analyst tells that it probably is going to go higher.

You know, for 40 years we had the Sugar Act and we repealed it in 1974. Upon repealing that act, this roller coaster thing started. Immediately went up to the 60-cent levels. In between then, we were down in the 10-cent levels in 1976–77. And since then, well, it's obvious what the problem's been, to try to sustain an industry under those price variations.

That legislation contained a target price for the producers. It had a quota system or, in other words, trading sugar on agreement with other countries—that import restrictions we were talking about. And had it been in effect—this is kind of a scary number, but—from our best analysis. had it been in effect, the price today would be in the lower twenties instead of the 35- to 40-cent bracket for sugar and that would be saving the American consumer about a quarter of a billion dollars a month. A lot of sugar—most of the world's sugar is traded on agreement. China and Australia have just entered such an agreement. The gist of all these agreements is lock in a price that they can live with, lock in a price for the person selling and lock in a supply for the person who is an importer. Those agreements worked well as they progress, less sugar will be available for the free market. We are also going to have a situation where we see in Brazil more and more sugar and molasses is being converted to fuel so we can't be sure that we will even get into a long-supply situation again. If history holds true, we probably will, but maybe the cycles will shorten and be more violent.

At least as a group, we are not prepared to spell out a specific program, but we think we should take a long, hard look at the old Sugar Act, modify it, make sure there is no room for abuse in it, but there were some good ideas in it. It worked well for us for 40 years. You know, the way things are now, we have either got the consumer hurting with high prices or the industry hurting with low prices and it's very hard to live with that and sustain that industry.

In conclusion, Senator Boschwitz, you know, in American agriculture we have never needed to make apologies for the way we operate. We're a very productive people. But as I said before, we are going to look to government and you people to protect that situation so we can go on doing the job we have been doing.

Senator BOSCHWITZ. Thank you very much.

Do you have any comments that you would like to add?

STATEMENT OF BEREND DAVIDS, SOUTHERN MINNESOTA BEET SUGAR COOPERATIVE, CLARA CITY, MINN.

Mr. DAVIDS. I'll introduce myself. I'm Berend Davids from Clara City, Minn. I'm representing the Southern Minnesota Beet Sugar Cooperative of Renville.

I'm going to piggyback a little on top of what Mike has stated.

We of the Southern Minnesota sugar croppers strongly support domestic sugar legislation either as part of the 1981 farm bill or a separate bill. We feel that the following points are essential to making sugar legislation meaningful to the American sugar producer and the consuming public. We support an 80 percent parity loan level. We support the International Sugar Agreement. We support the concept

of a quota system to protect the American producer from the dumping of low-priced foreign sugar.

We believe the consumer should be protected as well as the producer and would encourage the new Congress to draft a policy that would be equitable to all concerned. The Southern Minnesota Sugar Cooperative is always available to assist in the drafting of any proposals.

Senator BOSCHWITZ. Well, Senator Jepsen, I think we have heard two very clear statements and we have been through the sugar ups and downs. Do you have any questions?

Senator JEPSEN. Just one very quick one for clarification purposes. When the price of sugar increases, does the price of sugar beets also increase?

Mr. WARNER. [Nodding head.]

Senator JEPSEN. As the price of corn increases?

Mr. WARNER. Well, at least to the effect that the fructose has an effect on the corn market, it's more proper to say that the price of fructose would increase and fructose is a corn sugar, fruit sugar, and it's derived from corn, that part of that industry.

I might add that the parity concept is part of the old Sugar Act. That was part of adjusting the target price.

Senator JEPSEN. Would you give me a kind of a one liner on what is it you are advocating by way of a control of sugar pricing or movement or what?

Mr. WARNER. Just to go back and set the stage, you know, just like everybody, you get so close to it that maybe you don't make yourself clear. You know, we're net importers of sugar. Everyone else in this room, as far as I know, are net exporters. And I guess what we think is fundamental—in our group—fundamental to maintaining a stable price, is some type of reasonable control on the dumping of foreign sugar.

Senator JEPSEN. Thank you.

Mr. WARNER. OK.

Senator BOSCHWITZ. Thank you very much. Say hello to my friend, Benny Austed up there.

Mr. WARNER. Sure will.

Senator BOSCHWITZ. Do we have any further comments or does anybody else want to enter something into the record? Is there anybody who does have further comments or wishes to enter, into the record, a statement?

If not, all of those who have registered will receive a full copy of the hearings and we thank you very much for coming.

We stand adjourned till 8:30 tomorrow morning, same spot.

Mr. ASENDORF. Just one question, Senator. Are there more hearings of this type going on by all members of the Senate and House Agriculture Committee or is this yours and Senator Jepsen's?

Senator BOSCHWITZ. Senator Jepsen, as I mentioned earlier, had some soil conservation hearings that I attended in Iowa. Senator Dole has had some hearings on the food programs in Kansas, which I also attended. I'm not sure that any other Senator is holding hearings in preparation for the 1981 farm bill. I find that on these committees, the person who is best informed has a good deal of impact, and so I want to be the best possibly informed Senator on the committee for

the purpose of protecting the interests of American agriculture which, you know, I really believe in.

Mr. ASENDORF. In speaking of everyone, I think for everyone in agriculture, at least in our State, I want to sincerely thank the two of you for initiating this type of hearing whereby we can have our ideas and plans heard and we have a chance to air them to you, where we feel it's going to do the most good.

Senator BOSCHWITZ. Yes.

Mr. ASENDORF. I want to thank you again for that opportunity.

Senator BOSCHWITZ. Well, I thank you for that comment, and I want to tell you, Randy here is going to put together all the testimony and we are going to go over it again back in Washington so that we will review it and review the comments that were made as well. I thank you very much for coming. We will adjourn until 8:30 tomorrow morning.

[Whereupon, the committee recessed, to reconvene, Friday, August 29, 1980, at 8:30 a.m., in the Earle Brown Center, University of Minnesota, St. Paul Campus.]

1981 FARM LEGISLATION

FRIDAY, AUGUST 29, 1980

U.S. SENATE,
COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY,
St. Paul Minn.

The committee met, pursuant to notice, at 8:30 a.m., in the Earle Brown Center, University of Minnesota, St. Paul Campus, Hon. Rudy Boschwitz, presiding.

Present: Senator Boschwitz.

STATEMENT OF HON. RUDY BOSCHWITZ, A U.S. SENATOR FROM MINNESOTA

Senator BOSCHWITZ. This morning we are pleased that you are all here for our second hearing. This one will be about transportation and agriculture, and certainly one of the real prime questions that we have to address is the 1981 farm bill, which is the basic subject of all the hearings we are conducting here in Minnesota.

Yesterday, we were pleased to be joined by Senator Jepsen from Iowa. Today, Senator Durenberger will be here and Earl Butz will be testifying also. I understand he is going to be here at about 10 o'clock. We have a list of distinguished witnesses and we will discuss all aspects of transportation, and we kind of designed our witness list so we would cover the many aspects of that subject.

Agriculture and the farm bill of 1981 is probably going to be the most consuming subject I have in the first part of the session. Agriculture has been the most efficient sector of our economy over the last decade. The average annual rate of increase in output in man-hours in agriculture is 5.1 percent, as opposed to 1.6 percent in the nonfarm sector.

In addition to increasing production, we have had enormous increases in exports, and those exports have resulted in movement of more and more farm products over our highways and rails, and also, of course, our rivers, and we have found the difficulties that exist in our transportion systems.

This concern was expressed in a recent survey that was conducted by Pioneer Hybrid International. The survey included over 2,000 elevator operators in 16 grain-producing States, including the States of the upper Midwest here. Of the elevator operators, a very large portion felt that they had an inability to change things, because of lack of political clout, and while I think that the political system is going to take a meaningful role in transportation, I certainly hope the Gov-

ernment is not going to become involved in trying to provide that transportation. I think the problem we see with Conrail and the other railroads and lock and dam 26, and when politics get involved in the business of running of transportation systems, things become much more complex. The condition of lock and dam 26, of course, is something that will be talked about today. We have with us Jim Lambert of the Twin City Barge and Towing Co. I suppose he will direct most of his remarks to lock and dam 26 and the condition of the river, and as will many of the other witnesses. The completion of lock and dam 26 is still some 7 years away.

One of our witnesses yesterday, who was kind of a day early, talked about traffic yesterday, and asked if there was any way that could be expedited. I don't know, and perhaps some of the witnesses will be more familiar than I, and express some opinions about that. That will be very helpful, if we can get some input on that. I would certainly do whatever could be done to expedite the completion of lock and dam 26.

What is the group that's building it again? The Corp of Engineers. The Corp of Engineers is not noted for being among the more speedy parts of Government. As a matter of fact, the length of their studies is almost terminal.

Now you know a 15-barge tow can take more than 6 hours to travel just 360 feet. Often the wait is a full day. I believe the average wait is about 20 hours. My understanding of the capacity of lock and dam 26, when it will be installed, will be 86 million metric tons, as opposed to the present 62, and that certainly will help. We have to get that underway.

We also have people here today that will talk about the St. Lawrence Seaway and the possibility of expanding that season, which would be most, most meaningful to us up in the upper Midwest, as well as other parts of the country, and it aggravates me when railroads and other transportation systems seem to be going at one another and coming down to Washington and seeking their own ends, without considering the overall transportation problems that this section of the country where they are located has, so the St. Lawrence Seaway will certainly be part of the discussion we have this morning.

Also, the idea of unit trains and subterminal storage facilities, which was started by Cargill, and we have Jim Springrose, who is one of the witnesses this morning, and I believe he is the fellow that got that underway in Illinois with the I.C., and I certainly hope we hear what the future of that idea is, as well.

We can't transport the goods to market, very obviously, if we can only do so very expensively from this section of the country, because we are kind of at the end of the line and it makes our whole agricultural system less viable, and penalize them, so I have great interest in trying to solve this problem and the impact of it on the 1981 farm bill, and on some of the other transportation bills we will have before us in the coming year.

Our first witness is Paul Stepner, vice president of transportation of the Pillsbury Co., and let me say, Paul, if you would come on up, and let me say at the outset that everybody that registers will receive a full copy of today's testimony and that anybody who wishes to make

some comments we will take a break and I will ask if anybody from the audience wants to make a comment or short statement.

Further, we are going to keep time, too, just as a matter of being organized, 10 minutes, and at the end of 10 minutes he's going to rap the glass a little bit, so we at least make an effort to keep on schedule. We have about a dozen witnesses and we have adequate time. We don't have to restrict everybody to 10 minutes, but that will be at least an indication that we should start thinking with a schedule, so that anybody who wishes to put something into the record can do so.

If you have a statement that's longer than 10 or 15 minutes and you wish to insert it into the record in full, and now summarize, that's OK, too.

With those remarks, Paul, we are ready.

STATEMENT OF PAUL STEPNER, VICE PRESIDENT OF TRANSPORTATION, PILLSBURY CO., MINNEAPOLIS, MINN.

Mr. STEPNER. My name is Paul Stepner. I am vice president of transportation for the Pillsbury Co. of Minneapolis, Minn. I have held various transportation positions in Pillsbury for 32 years and have been vice president of transportation since June of 1977. As vice president of transportation for Pillsbury my primary duties are the establishment of transportation policy, coordination of Pillsbury's transportation activity, freight rate negotiations, transportation litigation and legislative activities.

I am also active in many special associations related to transportation. At the present time I am chairman of the transportation committee of the National Grain and Feed Association and a member of the executive committee of the National Industrial Traffic League. I am also registered to practice before the Interstate Commerce Commission.

Senator BOSCHWITZ. Does that mean you are a lawyer?

Mr. STEPNER. No. A class B practioner.

Senator BOSCHWITZ. So are many lawyers, so——

Mr. STEPNER. The Pillsbury Co. is an international food company with three basic businesses: Consumer foods, restaurants and agriproducts. Consumer foods include a broad range of dry grocery, refrigerated, frozen and canned products sold primarily through supermarkets. Restaurants include Burger King, Steak and Ale and Poppin Fresh Pies. Agriproducts include flour and rice milling, bakery mixes, grain and feed ingredient merchandising, bulk commodities handling and supporting storage, distribution and transportation systems.

Pillsbury is the largest U.S. flour miller with eight mills throughout the United States, including a mill in Minneapolis. Of the 80 grain facilities operated by Pillsbury, 7 are in Minnesota. Six food processing plants and two distribution centers supporting our consumer business and three distribution facilities supporting our restaurants are also located in Minnesota.

Because of the scope and diversity of our businesses, we are large purchasers of all modes of transportation. We also lease or own a large transportation fleet consisting of covered hopper cars, trucks and barges. Therefore, as a major food company integrally linked to all segments of the food industry from farm to dinner house restaurants,

we understand the importance of transportation to U.S. agriculture and appreciate the opportunity to discuss our ideas with this committee.

The marketing of agricultural commodities is as dependent on the availability of a viable transportation system as the production of agricultural commodities is dependent upon the availability of land, seed, fertilizer and labor. It is appropriate, therefore, that hearings relating to the 1981 farm bill consider transportation related issues. We commend the committee for obtaining views on transportation issues relating to agriculture.

Although some transportation issues are unique to specific locations, as we shall illustrate with some Minnesota examples, the major transportation problems transcend State lines. The national and local transportation issues are intertwined and are difficult to separate.

While recognizing the interrelationship of national and local issues, Pillsbury is concerned about the viability of the rail system in Minnesota, particularly the continued existence of the Milwaukee Railroad.

Pillsbury operates five facilities located on the Milwaukee, three of which are grain elevators at Montevidio, Wells, and Hollandale Junction; a barge transfer facility in Saint Paul and a canning and freezing plant at Glencoe, Minn. These facilities which receive large quantities of Minnesota agricultural production are heavily dependent on the Milwaukee for outward movement.

Let me illustrate our concern, using our operations at Glencoe and Montevidio, Minn., as examples. During our year ending May 1980, each of these facilities shipped slightly over 1,110 carloads of grain or processed agricultural commodities outbound via the Milwaukee Railroad. Increased volume is forecasted for fiscal 1981 and 1982. Our Glencoe plant has year around employment of 200 people, with peak seasonal employment of 1,500. The total population of Glencoe is approximately 4,700 people. Minnesota must compete with other States for agricultural products processed at Glencoe. Without viable railroad service this will be a severe handicap.

The Montevidio elevator must rely on railroad service, particularly on shipments to the west coast market, and cannot compete in that market without viable rail service. The negative impact on local employment and income due to the lack of a viable transportation system is obvious.

We believe that the government's role, either Federal, State, or local, is to support rail lines which can become self-sufficient, in order to avoid irrevocable damage to the economy of the community.

When this presentation was prepared the Senate had passed its version of the rail regulation bill, while the House is unable to pass its version. I understand there is a good chance that the House bill will be passed next week. Because of the importance of transportation to U.S. agriculture I think it is impossible to isolate this legislation and its impact from what the 1981 farm bill will contain. We have previously supported the adoption of the Senate version of the transportation bill carried in S. 1946, particularly as it relates to the following issues:

One. Ratemaking provisions which will provide the railroads with flexibility in establishing rates with a reasonable profit while affording shippers with limited protection.

Two. We suggest the Senate version of the contract ratemaking, since it offers shippers reasonable protection in three areas: First, contracts cannot interfere with common carrier obligation; second, carriers must offer similar contracts to shippers under similar circumstances; and third, contracts cannot constitute destructive competitive practices.

Three. The Senate version exempts grain from demand-sensitive ratemaking. Permitting carriers to charge more for their services during times of car shortages with little or no advance notice can be extremely detrimental to the orderly marketing of grain.

I might insert here that hopefully, if the House bill passes, the Senate version, particularly on the issue of demand-sensitive rates, takes precedence. There is an exemption as stated in the Senate bill.

Senator BOSCHWITZ. The House doesn't have that provision?

Mr. STEPNER. The House doesn't have that exemption. It has a separate provision. It permits demand-sensitive rates under certain circumstances, and a longer notice than presently exists.

Senator BOSCHWITZ. Not to interrupt you, but are there any other differences in the House version of that bill?

Mr. STEPNER. The major differences are as stated here. There are differences in the contract ratemaking. The contract ratemaking provision of the House bill does not protect the shipper, as far as discrimination is concerned. That's a major concern. The House bill—let's see. Let me get to point four, which covers that.

Senator BOSCHWITZ. The question is whether or not the two bills differ so much they will get hung up in conference and not get back to both bodies, so that we can pass them this year.

Mr. STEPNER. I think they will get to conference, and if the House bill is passed next week those differences will be compromised. Hopefully the Senate bill will prevail.

Four. Current provisions of the Interstate Commerce Act forbidding rate discrimination would be continued under the Senate version of the legislation. Without adequate protection, many shippers who rely on rail transportation could be forced out of business by unintentional railroad discriminatory action without the entitlement of redress. That's one of the major differences in the two bills.

Five. Railroads should be permitted to abandon unprofitable branch lines through the process established in the Senate bill rather than through branch line surcharges as proposed by the House bill.

Six. States should continue to maintain control over intrastate movements rather than delegate these responsibilities to the Interstate Commerce Commission. States have a better understanding of local railroad and shipper needs than a Federal agency.

There are three other key rail issues which have an effect on the farm community. These are the issues of furnishing and use of private cars, railroad mergers, and complete exemption of agricultural commodities from regulation by the Interstate Commerce Commission.

For the last 2 years private shippers have added 31,000 covered hopper cars to the Nation's car fleet, while the railroads have added

15,000 cars. These cars have a capacity of 4,000 cubic feet or more and are considered suitable for hauling grain. Railroads have encouraged the shippers to lease or purchase cars through periods of severe car shortages. Without such shipper investment the orderly marketing and shipment of grain would have been a disaster. Earlier this summer the supply of covered hoppers exceeded the demand, and certain carriers placed limitations on the use of private cars. A shipper's committee representing numerous users of private covered hopper cars has been attempting to work out an equitable arrangement for car usage during surpluses. However, it was unable to reach agreement. An equitable arrangement must be accomplished to encourage continued shipper participation in covered hopper car investment without catastrophic risks, particularly to the smaller shippers.

Transportation is an extremely important consideration when planning for a new facility or expansion of an existing facility. In order to stimulate investment it is important for shippers and railroads alike that the future structure of the railroad industry develop as quickly as possible. We therefore support mergers which do not unduly eliminate competition and which strengthen the merged companies from a financial and service standpoint.

Some railroads advocate complete deregulation of grain and unprocessed agricultural commodities. I would like to point out there is a substantial difference between deregulation of grain and movement by truck and barges than by rail, and we oppose complete deregulation of grain, as proposed by some railroads.

We need to talk about an adequate highway system. I won't get into the full statement. Needless to say, without an adequate highway system the movement of grain would be absolutely impossible. The Rural—let me get the name right here. The Rural Transportation Advisory Task Force report, dated January of 1980, made a number of recommendations regarding trucking, which we wholeheartedly support. I quote from the report:

> While the economic well being of agriculture requires that all types of highways be properly maintained, the public hearings and other sources made it apparent to the task force that rural roads and bridges in many agricultural areas have become a special problem. This is particularly true in some areas where large trucks are necessary for efficient movement of farm supplies and commodities to farms and markets.
>
> The task force recommends a change in the Federal role with respect to the Federal aid program to develop incentives to encourage increased State funding for nonmajor highways, and to target more Federal aid to interstate and other major highways. The recommended changes could be implemented through a four-point program: (1) develop incentives to increase the level of State funding for nonmajor highways; (2) make appropriate changes in highway user taxes to cover expanded Federal involvement, but continue to limit use of the highway trust fund to highway purposes only; (3) expand the scope of Federal involvement on interstate and other major highways to include maintenance; and (4) reduce the number of miles of highways directly eligible for Federal assistance.
>
> This program could:
>
> Increase State funds directed toward rural roads and bridges;
>
> Remove the burden of meeting Federal requirements from many smaller highway projects;
>
> Relieve States of some of the financial burden of maintaining interstate and other major highways; and
>
> Concentrate Federal funds flowing to the States on fewer miles of highways.

The task force considered recommending direct Federal funding of local rural roads and bridges. It decided against addressing the problem on a Federal level because legal and administrative requirements inherently associated with Federal aid often are so complex and costly that balancing needs and funds for small scale rural highway projects can be more effectively accomplished by State and local governments.

Comments from the public hearings indicated that unwillingness of some States to increase permissible truck weights to Federal standards is a significant impediment to national agricultural truck movements. Many also viewed this difference between Federal and some States' standards as a cause of energy waste and economic inefficiency, and therefore adverse to the Nation's best interests.

The task force recommends that those States prohibiting twin trailers and having load limits of less than 80,000 pounds and vehicle length limits of less than 65 feet be encouraged to increase their maximums up to these limits on interstate and other major highways. This recommendation should be encouraged through incentives developed in conjunction with the revised Federal role in maintenance of interstate and other major highways as recommended above. In constructing an incentive program, one criterion for a State's receiving an increased level of Federal funding should be its adherence to the recommended Federal standards. The task force supports appropriate increases in Federal highway user taxes to implement this program.

Implementation of this recommendation would:

Provide States with additional funds to deal with highway maintenance resulting from increased size and weight limits;

Provide up to a 15-percent increase in vehicle payload, thereby reducing the number of vehicle trips required to move the Nation's goods by highway; and

Reduce the cost of long distance trucking of some perishable agricultural commodities requiring high quality service.

Water transportation for the movement of bulk commodities also is an important part of our transportation system. In 1978, 4,947,000 tons of grain moved from Minnesota via the Mississippi River. Where economies can be effected the use of water transportation should be encouraged. Further expansion of joint rail-water opportunities should be developed. The completion of a new lock and dam 26 at Alton, Ill. is critical since the bottleneck created at this facility has limited the use of this waterway. We continue to support imposition of reasonable user charges on the waterways.

In summary I would like to make the following points:

Improvements in rail regulatory environment can be helpful to shipper and carrier alike. However, complete decontrol of rates, common carrier obligations, and antidiscrimination protection will be detrimental to the agricultural community and in the long run to carriers as well.

Second, some Federal and State and local funding will be necessary to maintain rail lines which can ultimately become self-sufficient.

Third is adequate highway financing must be provided, as well as standardization of truck size and weight limitations. A bill, which I understand has passed in the Senate, and not passed in the House as yet, on truck size and weight limitations, is important for agriculture.

Fourth is the private sector—rail and shipper—has the ability to provide an adequate car supply for the transportation of agricultural commodities. Shippers investment has and will continue to play an important role in the Nation's car supply. However, sharing of the burden during surpluses should be done to avoid unreasonable economic hardships to shippers forced to invest in transportation equipment.

Lastly, effective transportation policies are necessary if transportation is not to become the bottleneck that restricts the output of the most efficient sector of the American economy, which is agriculture.

The statement prepared, which unfortunately runs more than 10 minutes allocated time, covers quite a bit on highway and highway recommendations, and I think that's a key and important factor that needs to be faced up to keep agriculture commodities moving.

Senator BOSCHWITZ. Do you want to summarize that more than you have?

Mr. STEPNER. I think the basic issues, as far as highway is concerned, is improved flow of money.

No. 1 is the highway trust fund must be maintained for highway usage only. We encourage the Government not to use the highway trust fund for anything but highways, and that the maintenance of the Federal highways, which a portion of the burden falls on the State, should go to the Federal Government. With that money that will be saved by the States flowing into the rural roads, bridges, and highways, but I think basically that the funding, the continued funding of the highway system is of paramount importance, as is the railroad and barge activity.

Senator BOSCHWITZ. What was the name of that report you mentioned?

Mr. STEPNER. I'll give you the exact name.

Senator BOSCHWITZ. Is it in here?

Mr. STEPNER. Jim Springrose is on the committee, so he knows. It's the Rural Transportation Advisory Task Force report, dated January 1980.

That summation of the highway requirements is I think the best I have seen and certainly supported.

Senator BOSCHWITZ. Well, Jim—Paul, could you get us a couple of copies of that?

Mr. STEPNER. I think I brought a copy. I will leave a copy with Randy. I have another one in the office.

Senator BOSCHWITZ. Are those copies of your statement there?

I think there are some copies of the statements up here, in case any of the audience wants one. It helps in following along, and if some of the witnesses have copies they have not put up there, then maybe you could do that. It will help some of the people that are listening.

You believe the Government's role, either State, Federal, or local, is to support rail lines which can become self-sufficient in order to avoid irrevocable damage to the economy of the community.

Will you expand on that just a moment, Paul?

Mr. STEPNER. Yes. Frequently the question comes up, Senator: Should the State and Federal governments put money into branch lines that basically need to be abandoned. Even though there are elevators and there might be shippers on those branch lines it is our belief that if those branch lines cannot become self-sufficient, they should be abandoned. In the long term that Federal or State money should not be put into branch lines. However, in the case of the Milwaukee Railroad in Minnesota, from Minneapolis going out to Montevidio and then Mile City, we think that that railroad has a good chance of becoming viable and self-sufficient, and the Government's role then would be to put in money to that line, as for an example, for upgrading on a payback basis. Again, if a line has no

hope of becoming viable we don't think the Government should invest money in the rail line.

Senator BOSCHWITZ. Thank you, Paul. I know that the referee in bankruptcy included Montevidio, in keeping that part of it.

Did it include the line with Glencoe?

Mr. STEPNER. There is some real question as to whether or not there is going to be sufficient moneys put into that line from Minneapolis out all the way to Montevidio. That thing is up in the air at this time, and the State of Minnesota had issued or made some commitment, as far as State funds for that line, and I understand that there was a problem on the constitutionality of using those funds for the railroad rehabilitation, and there needs to be the selling of bonds to cover that particular funding. I believe in the next session of the legislature that situation is going to be addressed.

Senator BESCHWITZ. Thank you, very much.

Our next witness is Jim Springrose, vice president of transportation of the Cargill Co., who we met on a number of occasions, and I think for the first time back in early 1970.

STATEMENT OF JAMES V. SPRINGROSE, VICE PRESIDENT OF TRANSPORTATION, CARGILL CO., MINNEAPOLIS, MINN.

Mr. SPRINGROSE. Thank you, Senator, for the opportunity to discuss a few of the concerns that Cargill has with respect to transportation of agricultural products throughout the United States. My statement,[1] which has been left on the table, in itself is rather highly condensed, and I touch on some very specific points that, at least from my view are not currently being addressed or are already covered by legislation that has been enacted by the Federal Government.

In that statement, even though it is highly condensed, in the interest of time I will simply touch on the high points and elaborate to whatever extent you think is appropriate in response to your questions. I do appreciate the opportunity to discuss priorities among the rail transportation problems facing this country. In my statment today I want to make but three simple points.

First, the railroad industry is part of a larger grain marketing system that through marketing incentives and private investment has performed extremely well.

Second, those incentives and private investment decisions will continue to prompt modernization of elevators and individual rail lines, as needed, and as justified.

Finally, the emerging transportation bottleneck is congestion in outmoded railroad classification yards. Because the cost of modernizing them or bypassing them are large and private incentives not well suited to the job this would be an appropriate area for governmental assistance.

Just to briefly touch on the grain marketing system's performance, I must remind everyone that during the 1970's the U.S. grain exports nearly tripled, from 1.8 billion bushels to an estimated 5 billion bushels in the last crop year, and one key to that performance is investment.

[1] See p. 176 for the prepared statement of Mr. Springrose.

Cargill has consistently reinvested more than 97 cents of each dollar of U.S. agricultural earnings back into facilities and services serving the American farmer.

Another key is innovation. Perhaps the best illustration for the point I wish to make today is Cargill's introduction of the first unit grain trains in 1968. The potential productivity of this one innovation is easily illustrated. The average hopper car last year made a total of 13½ trips. The hopper in the unit train service Cargill started at Gibson City, Ill., has regularly been completing 45 or more trips per year for each of the last 12 years.

The third key is competition. For example, today there are 12 other unit train loading stations within a 30-mile radius of that first one that Cargill built in Illinois, and there are hundreds more scattered across the Corn Belt.

The fourth key is anticipation. Cargill did not wait until the surge in export demand in the 1970's to lease covered hopper cars, to build train loading stations and then begin shipping export grain on unit trains. Those ideas had already taken hold when the opportunity to meet surging export demand first materialized. Government-controlled systems simply lack the flexibility nurtured by private enterprise in that regard.

These four keys to successful performance; investment, innovation, competition, and anticipation, are at work in the rail industry as well. We have heard so much of bankruptcies, car shortages and other railroad problems that we tend to lose sight at what this industry has accomplished. The car shortage issue is an excellent example. Hopper car deliveries to railroads and private shippers in 1979 alone were at nearly 20,000 cars, or more than double the deliveries of a decade earlier. In 1980 the United States will export another record 5 billion bushels of grain, and yet the car shortage, in my judgment at least, will essentially disappear. My forecast for the next decade convinced me that the United States has such hopper car building capacity to meet its foreseeable needs and that railroads and shippers will respond to market incentives to order sufficient cars to meet those needs.

I don't think there is any need for Government to become involved in planning train-loading stations, siting them or encouraging their construction. The Government involvement here at best will result in waste and misallocated resources. At worst it will disrupt the evolution of a private marketing system to meet farmer's future needs.

Senator BOSCHWITZ. As you know, we are already into it.

Mr. SPRINGROSE. I know. The McGovern bill passed, much to my disappointment, as a matter of fact.

Senator BOSCHWITZ. Did it pass both Houses?

Mr. SPRINGROSE. I'm not sure.

Does anyone else know the status?

Senator BOSCHWITZ. I see a bunch of hands. No?

Mr. SPRINGROSE. No? I can't see the heads shaking back there.

The strength of the market-oriented system is its ability——

Senator BOSCHWITZ. Pardon me, please. You just feel the marketplace can do that quicker and——

Mr. SPRINGROSE. I think the marketplace already demonstrated over the history of the last 12 years, at least in terms of unit train history,

and even before that, Senator, but confining it to the unit train history the marketplace already demonstrated that it can raise more than adequate private capital to accommodate new technology and new innovation in railroad transportation that make the system more efficient, when the incentives are properly provided by the rail industry itself.

Therefore, I don't believe that it's appropriate or necessary for Government to provide dollars to build elevators at any location, particularly if the economy's scale of innovative railroad transportation are not brought to bear against the shippers. That simply means we'll have a fancy elevator with no savings in transportation costs and the distribution expense and marketing expense and impact of that on the farmers itself will remain essentially unchanged. So we will have invested a lot of dollars to improve the grain-handling facility, essentially with no real opportunity to recover that investment.

Senator BOSCHWITZ. Apparently, you say that there are 12 other unit train loading stations within a 30-mile radius of the first one, apparently in private industry.

How many unit train loading stations does Cargill now have?

Mr. SPRINGROSE. I don't have a precise count. I can provide that for the record, but I would estimate it is something in the order of perhaps 18 or 20. I can give you an accurate figure though, if it's important.

Senator BOSCHWITZ. And you talked about the Corn Belt.

Are you in some of the other agricultural products as well?

Mr. SPRINGROSE. Unit train loading facilities essentially work best and are most efficient in the high-density production areas, and that means corn essentially. Soybeans and some wheat does enjoy the economy's of scale of unit train transportation, but when one gets out into the Southwest, for example, where wheat is the predominant crop, then the yields per acre are not sufficiently high to provide a nearby supply to fill the enormous appetite of the unit train. That means, in order to originate those volumes, one must truck out a greater radius from the unit train loading station, and when you do that you destroy or dissipate the economy of scale provided by the unit train itself, so there are economic limits beyond which unit trains are not the most effective approach to railroad transportation.

It's a matter of crop density and geography, but our unit train loading facilities cross from Ohio all the way to Denver, Colo., and from southern Minnesota down to Iowa and southern Illinois.

Senator BOSCHWITZ. Do you have a listing of other such unit train loading stations, other than your own?

Mr. SPRINGROSE. No, I don't. The only place I can refer you to would be an excellent map prepared by the Iowa Department of Transportation, which shows unit train loading facilities, the railroad that serve them, what their loading capabilities really are in terms of the number of cars per day. Other than that——

Senator BOSCHWITZ. Only in Iowa?

Mr. SPRINGROSE. The Iowa map is the only map I am aware of.

Senator BOSCHWITZ. It's only of Iowa?

Mr. SPRINGROSE. It's only of Iowa.

The strength of the market-oriented system is its ability to guide the search for efficiency, productivity, and profitability better than Government can.

This is not to say that no serious rail industry problems remain, now that Government can't play a role in solving them. There is a serious problem, poor railcar utilization. The cause of the problem in my judgment is congestion at railroad classification yards, and the Government can stimulate a solution to this problem by advancing some of the funds needed to rebuild or bypass outmoded railroad yards, that to be recovered by toll charges on cars using those new or rehabilitated facilities.

We hear much of the car shortages. Car shortages have become a convenient symbol. They reflect an elevator operator's frustrations when he can't get cars to load. The problem is no longer a shortage of cars. In fact, it is likely that adding additional hopper cars will simply clog the system further, driving down the productivity of each car. As an example, had the average hopper car completed 17½ trips rather than the actual 13½ trips the record agricultural tonnage of last year could have been marketed with 18,600 fewer cars and resulted in no car shortages.

Car productivity is pinched by many factors; the availability of locomotive power, adequacy of car control techniques, slowdown orders on main lines, and congestion in rail yards. Most of these problems are being solved in the private sector.

The importance of the rail yard problem can be illustrated by Cargill's experience on two different trains. Cargill's unit train movement from central Illinois to the Louisiana gulf shuttles back and forth over that 1,850-mile distance in 6 days. A unit train movement operates from northeast Iowa to the Texas gulf taking 20 days to complete a 2,400-mile round trip. The one-third greater distance does not explain the reason why the trip takes more than three times as long. The explanation is simply the Illinois-Louisiana gulf train essentially bypasses all rail yards, while the Iowa-Texas train must pass through rail yards in Kansas City and Houston, and, I might add there, Des Moines, Iowa, and Cedar Rapids at times. If we could achieve the same level of car productivity from Iowa as we do from Illinois, the car requirements would be reduced by at least 80 to 85 percent for that Iowa run.

Rail yards are a source of congestion and lost efficiency because they are outmoded. Most were designed and built in the 1800's, and there is a list of factors in my statement which explains why in today's modern transportation environment those yards are outmoded.

Senator BOSCHWITZ. Don't rush through that portion. Read the whole thing.

Mr. SPRINGROSE. All right.

The yards to which I refer were constructed in the late 1800's to meet the needs perceived at that time. A full carload then typically weighed 20 tons or less, permitting the use of lighter rail than required by today's 100-ton covered hopper cars. Back then the standard car was——

Senator BOSCHWITZ. Are you talking about the car and the load?

Mr. SPRINGROSE. The car and its contents. Well, no. That is the weight of the load. Twenty-ton shipment was the weight of the load, plus the weight of the car. The weight of the car is to be added. The same is true with 100-ton hopper cars today. That's the load. The car itself weighs 33 tons approximately.

Senator BOSCHWITZ. The car weighs 100——

Mr. SPRINGROSE. Fully loaded. The gross weight.

Senator BOSCHWITZ. So the car is about a third, 33.

Mr. SPRINGROSE. Back then in the 1800's the standard car was 36 to 40 feet long. Today is is 60 feet. This is a 50-percent increase in car length and it shrinks the storage by a comparable amount. The growth of cities around those terminals has also aggravated this problem.

Running today's railroads through these inadequate, outmoded terminal yards is wasting time, capital, and energy. Rail yards are limiting commodity flows as surely as the neck of the hourglass limits the flow of sand.

At the same time, rail yard rehabilitation is difficult and expensive. The stakes are equally high. Had each hopper car last year made 4 more trips, from 13½ to 17½, not having to buy 18,600 hopper cars would have yielded an $800 million savings. Without that increase in car productivity the fleet of 100-ton covered hopper cars, according to studies we have made, will have to double over the next 10 years to accommodate the growth in agricultural and other dry bulk industries, at a capital cost of $5 billion.

Government loans for rail yard rehabilitation—or in some cases, bypassing rail yards entirely—would spur the needed modernization. Those loans could be recouped by charging each car using the new facility a toll equivalent to 1 day's per diem. Per diem is rental railroads pay each other for free interchange and use of cars on a nonowner system. My experience tells me that railroads and shippers could afford the costs and still be ahead, because turnaround time for cars would be reduced on an average by at least twice that amount.

Government support for rail yard rehabilitation can be designed to be self-financing, while contributing to large gains in the overall efficiency of the rail yard system. That in my view would be a worthy form of public involvement.

Thank you, Senator, for your attention.

Senator BOSCHWITZ. One question, Jim, because we have asked some questions as we went along and maybe more than one question.

Do you have any kind of listing or categorization of these rail yards, either good and those that are bad, and have you made any studies or are you aware of any study?

Mr. SPRINGROSE. No, sir. I know of some very good—Burlington Northern has an outstanding one here in north Minneapolis and Union Pacific are in the process of building one in central Nebraska.

Senator BOSCHWITZ. What happens to Union Pacific and the other strong railroads, Burlington Northern, if we start becoming involved in Government financing loans and so forth? Are they just going to get in line or will they feel foolish not getting in line? Will that have a tendency to slow down construction of the yards by the Union Pacifics of the world?

Mr. SPRINGROSE. It's very difficult for me to speculate on what some management decision might be. If, however, the funds that were allocated for rail yard rehabilitation were allocated only to those specific areas where the bottleneck could really be identified, and would be applied, irrespective of the financial posture of the railroad or railroads serving that particular terminal area, I would think that the

carrier such as Burlington Northern or the Union Pacific or some of the other viable carriers would continue to use their own capital to rehabilitate yards as necessary to improve their own systems, to the extent it was outside the areas designated for improvement.

Senator BOSCHWITZ. The next question has to be this: Have some railroads improved themselves out of the ability to get that kind of assistance, that would be discouraged from doing so?

Mr. SPRINGROSE. I'm not sure I understand that.

Senator BOSCHWITZ. Maybe some of the bottlenecks that don't exist, that don't exist because the railroads have undertaken to remove them, and those railroads that have done so may find themselves penalized for having been proficient in doing what you and I would consider their duty or their best interest.

Mr. SPRINGROSE. In theory that is correct, and if we have a modern, healthy railroad system in the United States, I would agree with you wholeheartedly and say the Government ought to keep all its chips out of the industry and let them fight it out and use the capital as it should be best applied. The fact of the matter is we don't have that kind of railroad industry, and we are at a point where the industry's deterioration is affecting the productivity of the goods, and not only agriculture, but all commodities that the United States wants shipped in certain areas, and I am suggesting we try to treat those areas.

I think that the Burlington Northern and Union Pacific as carriers would both benefit from yard rehabilitation in the Kansas City terminal, as one example. Neither, at least to my knowledge, has seen fit to invest their own capital in the Kansas City terminal, and yet it is one of the major bottlenecks for the flow of agricultural products for export.

Senator BOSCHWITZ. Let's talk about that at some length, at sometime perhaps with you and some others. For example, maybe there is something the Government can become involved in. You mentioned a large number—Cedar Rapids, Des Moines, Kansas City, and Houston, and they apparently are bottlenecks for your unit train that emanated from northwest Iowa, so I would be interested in knowing how many such bottlenecks exist and whether or not there is something I have not previously considered that has a method of entry for the Federal Government. The idea of the per diem for the purpose of financing it is an interesting approach of which I also had no familiarity, so let's pursue that a little bit more together, and perhaps you and some other people, any others who are present that want to participate in such a discussion would be welcome.

Thank you, Jim. As always, I find yours, as I did Paul's testimony, to be most helpful and I thank you very much.

Mr. SPRINGROSE. Thank you, Senator.

Senator BOSCHWITZ. Incidentally, I don't see Secretary Butz, has he come in?

[Discussion held off the record.]

Senator BOSCHWITZ. Our next witness is Jerry Fruin, with the Department of Agriculture, an applied economist from the University of Minnesota, and, Jerry, I welcome you and we have a copy of your statement. Proceed.

Mr. FRUIN. Thank you, Senator.

STATEMENT OF JERRY FRUIN, AGRICULTURAL ECONOMIST, UNIVERSITY OF MINNESOTA

Mr. FRUIN. I am Jerry Fruin, agricultural economist at the University of Minnesota, where I am an associate professor of agricultural and applied economics and a transportation economist for the Agricultural Extension Service. My primary work for the past 5½ years has been research on the current and future adequacy of the upper Midwest transportation and logistics system for bulk commodities such as grain, soybeans, fertilizer, coal, and petroleum.

In addition to projects sponsored by the USDA and/or the Minnesota Department of Agriculture, our research has been funded by other public agencies, including the Minnesota Department of Transportation, the Minnesota Energy Agency, the Minnesota State Planning Agency, U.S. Army Corps of Engineers, and the Upper Mississippi River Basin Commission.

Before I start talking about specific transportation problems facing us, I would like to stress the importance of the transportation system on Midwest agriculture. Our location here makes our farm products especially vulnerable to transporation shortfalls. Because we are the farthest from the ocean and the deepwater ports, we are the last to prosper and the first to be hurt during the swings in export demand. Consequently, we have to be ready to ship to where the markets are. We have to have alternative outlets, to be able to ship to the gulf, out the seaway, or by rail to the west coast, and possibly the east coast. The transportation system serving the upper Midwest must have a significant amount of flexibility. We need to respond efficiently to shifts in international demand for our farm products. It's as simple as that. Our prosperity depends on it.

I should also stress that the agricultural transportation system is a system made up of many individuals, but related parts and these parts are generally controlled by separate entities, whose goals may be in conflict. The goals of the country elevator and the railroad are not necessarily really the same. Minimizing the costs of one part of the system may increase the costs elsewhere and, in fact, may increase total transportation costs.

Senator BOSCHWITZ. I might say that's sometimes very frustrating for a Senator when groups come down and presume their interests should be identified and they are not, and they seem to be protecting a parochial corner of that interest. It is distressing. Pardon me.

Mr. FRUIN. So, basically, what's best for one individual or company might not be best or even good for the system. For example, abandoning a rail line might decrease railroad costs, but increase highway maintenance, increase energy consumption and add to terminal congestion, increasing total costs. Too frequently, our policies treat the symptoms, not the cause, of the problems, and we end up with higher costs, but no longrun solutions.

Now I view the transportation system problems of upper Midwest agriculture as primarily problems of financing the maintenance and improvement of the physical infrastructure—the rails, the highways, the waterways, and the terminals and exchange points. Who will do

the financing? Who will pay? And that's not necessarily the same. Government and industry finance. Taxpayers and shippers pay.

First, the rail infrastructure. Basically, here my remarks and ideas pretty much follow those of Jim Springrose's, as far as the idea of putting money into the railroads and the terminals that are our logistics bottlenecks, and as far as the branch line problems, we should not try to save every branch line, as we still have too many miles of railroad. I also want to emphasize the excess miles that we have are not really the branch lines. The real excess is the excess main lines. We could probably abandon all the branch lines anybody thought about abandoning and still have railroads with financial problems because there are too many lines in some of the corridors. Just as an example, I'm much more concerned about the Milwaukee Road from here to Mile City, than from here to Chicago, because we have adequate capacity on that corridor, but there is a real need for the Milwaukee Road between here and Mile City to the rural and agricultural industries.

I don't believe that the deregulation and contract rates will be of much help to increase the railroad cash flow in the short run. Increased ratemaking freedom will increase revenues only if rates are below the level that will cause shippers to choose an alternate mode. In general, the rails have been losing business because their rates are already too high for the service they can provide. A primary reason for this is that the railroads have to finance their road beds out of earnings, unlike trucks and waterways, and so if we are really serious about revitalizing rail service, we have got to recognize this problem. The only solution in the short run is increased public expenditures on railroad right of ways so that service can be improved, so that rail movements can be price and service competitive.

WATERWAYS

Here in the upper Midwest, waterways are a vital part of our transportation system, and we have to be concerned about three waterways: the Mississippi River and its major tributaries, the Great Lakes and the Saint Lawrence Seaway, and the Columbia-Snake outlet to the Pacific. Water transportation costs are generally one-fourth to one-half of those of rail and waterway energy consumption is generally less.

Specifically on expedited construction of a new lock and dam 26 at Alton, Ill., I'm not nearly as concerned about need for a second lock as I am getting the expedited construction of the first lock. There is time enough to study a second lock and make that decision, but we have got to get the first lock in.

Senator BOSCHWITZ. Was I correct in the figure I gave that the present system provides shipment at 62 million tons and the new one 86 million tons?

Mr. FRUIN. Those are generally accepted figures, yes.

Senator BOSCHWITZ. That doesn't seem to be such a large increase, 38-percent increase over a long period of time, when you think of the figures that Jim Springrose gave us, from 1.8 to 5.

Mr. FRUIN. That's correct, but there are also some other things to build on this gradually, when you think of total capacity of the sec-

ond lock and some of the other things that can be done to increase the throughput of the first lock. If it could be done, you get an increase something like 40 or 50 percent in that first chunk, so that when investing in a second lock, the timing becomes important.

What will happen in the next few years even though total tonnage through lock and dam 26 will increase our shipments from Minnesota ports, because the expense and long wait of lock and dam 26 cause shippers on the southern part of the river to bypass the lock, but total costs will go up for everybody, total costs for us up here will go up because of long waits and total costs for other people will go up because using alternative modes of transportation, and another thing we will see happening is barge grain will be displaced from the Illinois River and trucked to Great Lakes ports, which will cause increases in volume on the Saint Lawrence Seaway and cause that artery to reach capacity sooner than we probably expect, raising costs to those who traditionally exported through Duluth-Superior and other Great Lakes outlets.

With respect to the user charge and the resolution of that temporarily with the navigation fuel tax, starting at 4 cents a gallon, I don't look for any major effect on the quantity of the grain and fertilizer moved up or down because of that 4-cent tax.

However, the railroad and others are continually pushing for full recovery of public navigation expenditures, which could mean a fuel tax of over 60 cents a gallon. Not getting into the controversy of who should pay and things like that, if a fuel tax of that level were imposed there would be major changes in grain and fertilizer flows in the upper Midwest, and consequently changes in the production pattern and quite a blow for farm income and things like this, so that is something we have to look at very carefully for long-term effects from any real major shifts in that sort of taxation.

Before I leave waterways I would like to point out that both the seaway and the Columbia-Snake Waterway will require capacity expansion during the 1980's. The seaway, of course, has two types of constraints: One is season constraint and one is the capacity constraint due to size and channel depth and things like that. The 2-week extension of the shipping season or a longer extension will provide a short-term increase in capacity.

However, an extension of the Great Lakes shipping season or even year-round navigation on the upper lakes would be of little benefit to upper Midwest agriculture unless the seaway is also kept open longer. We need good transportation to international markets, not year-round access to Toledo, Ohio. Much of the opposition to major improvements on the seaway is stated in terms of "environmental concerns" but exists because of the potential loss of business by Eastern shipping and transportation interests. This real or perceived loss of business would occur primarily in industrial and consumer cargo if steamship lines were able to establish reliable year-round service to inland locations like Chicago.

The capacity constraints will be more difficult, especially when talking about channel depth, because of the real environmental effects, but there are things going on to expand locks and things like that, but because the seaway is an international operation it requires attention

of the Federal Government to make sure things move along. The Canadian interest is not always the same as our interest.

To the west, the Columbia-Snake River Waterway has become a very important outlet for wheat. This became especially apparent during the 1979 strike at Duluth-Superior, when wheat was trucked from North Dakota to the head of navigation at Lewiston, Idaho. However, commerce on the Columbia-Snake system had already increased 250 percent in the decade prior to 1979.

The Bonneville Dam on the Columbia is the closest to the ocean, but it is also the oldest and smallest dam and is approaching capacity. We're going to see another controversy out there, because the Bonneville Dam will need to be expanded in the late 1980's.

I just go to my road section. I want to stress here we have a significant road and highway financing problem. We have three problems: The first is financial short falls for all levels of highways. One reason is, of course, the gasoline tax revenues decreasing as gasoline sales decrease. This problem is also due to gasohol. The gasohol exemptions cause the problem to worsen.

Our rural roads were designed in the 1930's, not for the 1980's, when we had much less production. There were much smaller vehicles, so we have a road and bridge system that is obselete. It's 50 years old. It's 50 years old and designed for 8-ton trucks and not semis.

Finally, the third problem is how to control and tax heavy vehicles. There is a graph in my paper that shows how the stress on highway pavement increases to the fourth power of the weight per axle, so that on a single axle, for instance, when the weight on an axle increases from 18 thousand to 20 thousand pounds, the legal limit we have now, the stress from that axle increases by roughly 50 percent, so that really compounds itself throughout the system.

When you consider the number of heavier vehicles we keep getting on the roads there is a major problem here, and then when you consider the fact that grain, coal, steel, your heavy commodities that do not cube out, frequently run at above legal limits, we have a related problem of what should legal limits be, how to enforce the limits and who should pay the cost of road maintenance on those heavily traveled main highways, where the heavy vehicles are going.

Basically, to sum up, we need a commitment by Government and industry to rebuild our major rail routes to both the gulf and the west coast, and to replace or consolidate obsolete yards and terminals in more advantageous locations. This will undoubtedly take large amounts of public money.

We need an expedited construction of lock and dam 26 at Alton, Ill.

We need to continue capacity increasing improvements on the Great Lakes and St. Lawrence Seaway, along with the season extension on the seaway.

We need an increase in expenditures for maintenance on State and Federal highways, along with vigorous enforcement of vehicle weights. The cheapest kind of highway maintenance is that which can be avoided.

Finally we need to make some hard decisions about our rural road systems, and the cost to replace the obsolete rural bridges and roads. Many of the smaller communities and counties are in a real financial

bind and we have to look at ways to get more money into some of those systems, if we are going to keep the roads open to get the grain out.

Thank you.

Senator BOSCHWITZ. Thank you very much, Jerry. It was a very thoughtful overview of many of the problems that transporation faces. It was very helpful for me and I think that you have answered a good deal of the questions and I think we will get some answers and some more particulars on the seaway from Jack Lambert, who is scheduled to be next, but I see Dave Durenberger has arrived, or I understand he has. Maybe we will go out of turn, but thank you very much, Jerry. I appreciate it.

[Discussion held off the record.]

Senator BOSCHWITZ. Dave, as you know, is my senior Senator from Minnesota and has been active in a number of transporation matters, sits on the Finance Committee that does the tax matters, and so has a very vital impact on the future of American transportation, just as the Agriculture Committee does, Dave?

Senator DURENBERGER. Thank you for the plug, Rudy. Senator Boschwitz. Mr. Russell, it's always nice to see you.

Senator BOSCHWITZ. We always do that for one another.

STATEMENT OF HON. DAVID DURENBURGER, A U.S. SENATOR FROM MINNESOTA

Senator DURENBURGER. I'm going to try to keep this statement brief, if you can believe that, and actually I wouldn't have to come here today, because you and I talked about these things all the time in Washington.

Senator BOSCHWITZ. It's good to get some of it into the record.

Senator DURENBERGER. That's my main purpose, so that those who don't take time to come out and listen to the people that deal with these problems are made aware of them. Hopefully we'll find somebody who will take the time to read some of this I don't think you could have picked a more appropriate site for the hearings on the needs of the Nation's rural transportation system than Minnesota, because it was just a year ago that the combined affects of weather, the grain handlers' strike, the independent truckers' strike, and two rail bankrupticies made Minnesota the most dramatic example of the impact that transportation has on America's rural economy. It proved once again that farmers need transportation options, so their futures are not completely dependent on one bankrupt carrier or settlement of a single labor dispute. The transportation crises that engulfs the Midwest is as much to blame for the state of the current agricultural economy as is the Carter administration farm policies.

This country must begin to recognize what the Nation's farmers have known for a long time. Our rural transportation system is in crises, and that crises is evidenced in every phase of the system and every part of the country.

What I would like to do is briefly outline some of the elements of the problem and concentrate my statement on one of the solutions.

First, the problem is evident in the Nation's rail system. The collapse of the Milwaukee and Rock Island railroads have focused national attention on the state of the country's rail system. Because of the bulk of maintenance deferral occur on the Nation's branch lines, agricultural communities which depend heavily on rail transportation are having to pay the greatest price. Second, it's evident in the Nation's highways. Deferred maintenance on the Nation's highway system is rapidly approaching the levels now being experienced on the railroads. It's essential we develop new mechanisms to accumulate the capital necessary to preserve highway freight carrying capacity in this era.

Third, its evident on the Nation's waterways, and I apologize to Jack Lambert for taking a little bit of his time, but the last time we were on one of these programs together he got in ahead of me, so we are now even.

Grain traffic continues to back up along the Mississippi. I remember last year at this time when a boat loaded with the President and his entourage went down the Mississippi. There was 5 days of traffic backed up behind lock and dam 26, not just because they had to let the President through, but because it's an everyday occurrence on the Mississippi River. There is no higher priority than expedited modernization of lock and dam 26 and other outmoded facilities, so the barge industry of this country can continue its phenomenal growth as a part of America's land based transportation system.

It's evident in the air transport system. Deregulation's impact on rural America has been largely negative. Major carriers have curtailed service to agricultural communities, but the expected influx of commuter airlines still hasn't occurred. The Federal Government continues to deny adequate funding for the needs of rural airports, but allows huge surpluses to build up in the airports and airways trust fund.

It's evident in the Nation's seaports. Over the last 20 years midwestern port facilities have gradually lost their competitive edge. In 1940 Duluth-Superior handled the second highest volume of tonnage of all U.S. ports. In 1978 that ranking had fallen to 11th.

The disappearance of regional rail carriers and new investments in west coast shipping facilities are threatening even greater shifts in commodity movement toward the gulf and west coast ports.

Finally, the transportation crisis is particularly evident in the trucking industry. Last year independent truckers struck to focus the Nation's attention on conflicting weight and load limits, various licensure requirements from State to State and practices such as lumper fee's, which impede commerce and steal consumer dollars, and they thought they had attracted the President's attention and got Jack Watson to head up a special emergency committee. He talked them out of their strike and then he let them down and then he hasn't done a thing for the independent truckers of this country.

The sad fact, Mr. Chairman, is our greatest transportation need is the same today as it was 30 years ago. More than anything else this Nation continues to lack a single coherent national transportation policy, and if the policy we adopt is to serve the farmers of the 1980's, it must be founded on a different set of principles than those that guided transportation planning in the 1950's, 1960's, and 1970's.

Specifically, Mr. Chairman, there are four basic principles on which transportation principles of the 1980's should be based.

First, we need recognize the rural transportation issue is not simply a transportation issue. It's an agricultural issue and it's essential the Department of Agriculture, whatever we think of it, be given a significant role in planning American transportation strategy.

Second, we need to recognize that the restoration of the Nation's rural transportation system is a national priority. The cost of achieving that restoration must be shared by everyone who benefits from the product shipped on that system, shippers, carriers, States, and consumers alike.

Third, it is critically important we adopt a policy which fosters cooperation among the various modes of transportation.

Finally, it is absolutely essential we maintain the capacity of intermodal transportation by preserving the freight carrying capacity of each transportation mode; trucks, barge, and rail.

I want to focus this morning on the most pressing transportation problem facing midwestern farmers, and that's the collapse of our regional rail system. In January of this year I introduced, along with Senator McGovern, a proposal entitled The Rail Investment Incentives Act of 1980. That bill would create a refundable investment tax credit for the rail industry. I'm sure the members of this committee are familiar with the statistics showing the tremendous impact the investment tax credit has had on investments in most American industry. No instrument of Government policy has done more to foster the so-called reindustrialization that has become such a popular current goal. Because it's a tax credit it's impact is confined to the most profitable industries and the most profitable members within each industry. By common admission, rail is among the most labor and capital intensive of American industry, but net returns on investments has harbored around 1 percent in recent years, so the investment tax credit has had little effect on the industry as a whole. Within the industry the investment tax credit has had a particularly skewed impact.

The great bulk of the Nation's $4.1 billion in deferred branch line maintenance is concentrated in the Nation's weakest railroads, the ones that draw little or no benefit from the investment tax credit. As presently structured, the investment tax credit has strengthened the strongest railroads, but has little effect on the weaker investment-starved lines. In effect, it has widened disparity within the industry, intensifying the trend toward merger and in acquisitions. As this committee is well aware, that trend has been accompanied by rising prices and a progressive loss of service in the Nation's agricultural region.

My proposal would permit railroads to qualify for refundable credit, if they reinvested the dollars in rail bed rehabilitation or the acquisition of growing stock. Spreading the effect of the investment tax credit to carriers like Rock Island and Milwaukee would have an immense impact on the Nation's rural transportation system. For example, the bill would enable the Milwaukee to recover over $18 million in lost tax credits, credits the railroad earned but couldn't claim.

Rail companies come and go, but the rail beds are an essential national asset. We know that when railroads begin deferring maintenance they starve the branch lines first, because those lines produce weaker revenue flow. The process focuses the impact of a troubled industry on rural agricultural areas, creating the type of difficulty experienced throughout the Nation's agricultural area in the last 24 months. With our investment tax credit in place $1 invested in rail bed rehabilitation yields and presents returns. Lowering the cost of branch line rehabilitation would improve the cash flow of every branch line in the Nation. By doing so it would do more to preserve branch line service than any of the give-away programs now in existence in the Federal Government.

The refundable investment tax credit would provide both the incentive and the liquidity to rebuild agricultural branch lines. Refundability has been endorsed by such diverse economic figures as William Simon, Gerald Ford, Russell Long, and Teddy Kennedy—Edward Kennedy. Unfortunately, when my rail bill came to the Senate floor in April it drew strong opposition from the Carter administration.

Senator BOSCHWITZ. That's diverse.

Senator DURENBURGER. That is diverse.

Had the administration taken an active position I believe the bill would have been law today.

Now, as of yesterday, Jimmy Carter announced his own plan to reindustrialize the American industry—rail industry included—and part of that plan includes the creation of a refundable investment tax credit, the identical proposal rejected by the administration when I proposed it 5 months ago. I welcome the President's conversion, but doubt if it's real.

Had the administration taken this position we might have avoided some of the economic pain inflicted this summer on farmers who depend on rural rail service, but we'll take anything we can get. All the more reason to move quickly on that bill today.

I hope this committee will examine that bill and various others in this area and integrate refundability into its recommendation of transportation policy. I believe refundability represents a sound alternative to continued railroad sub idies, a private enterprise solution that can help a struggling industry help itself. That's precisely the type of policy we must pursue if we are going to preserve private ownership of our transportation systems in the eighties.

I have a longer statement, Mr. Chairman, that I would like to introduce in the record. I really do appreciate—despite the fact that I couldn't find anything in the metropolitan media print this morning about what you are doing—what I think is a tremendous contribution to the future of rural economy in this State and the Nation as a whole. You are taking the time to have these hearings in this State and give the people who are so concerned about this problem the opportunity to tell all of us what we ought to be doing about it.

Thank you.

Senator BOSCHWITZ. They are probably waiting, Dave, to listen to all 3 days of the hearing and then put together a conglomerated story at the end. I hope so, because while transportation and some aspects of the agricultural problem don't have as much sex appeal as some

other things the media are interested in, nevertheless there is no question the underlying basic economic survival growth of our State and what we are doing is important.

Would you just describe for the committee, and also for the people in attendance, how the refundable investment tax credit works?

Senator DURENBURGER. Right.

Right now the statutory authority which provides for the investment tax credit permits people to take a direct credit against their income tax. At the end of the 7-year life of the acquisition of an asset, they are entitled to take a credit for 10 percent of the cost for acquiring that asset. In the rail industry as in most industries, there is a qualification as to what is eligible for the tax credit. In the rail industry the qualification is the acquisition of the locomotives, rolling stock, and rail beds, and I'm sure in other industries there are comparable kinds of qualifications for the investment tax credit. In effect, if you are making a profit in any year, in the 7 years of the life of an asset, you take the credit for 10 percent of the cost of that asset directly against your income tax liability. The issue of refundability is simply this: There are people making money, but not making a profit. This is particularly true in the rail industry, where a few railroads are making a profit against which they can take a direct credit against their profit, but there are a whole lot of others that are not.

In order to make it possible for these people to continue to be able to invest in rail bed and locomotion and whatnot, the refundable investment tax credits says in effect if you don't have a profit against which to offset your investment, the Federal Government will pay you in effect every 7 years the 10 percent of the accumulated credits that you would have had if you had had a profit. It isn't a lot of money. It is probably more the incentive and the recognition of the incentive that's important here than is the dollars involved, and its doesn't take a lot of dollars. I pointed out the Milwaukee Road. Eighteen million dollars on the Milwaukee would have bought an awful lot of rail bed rehabilitation, the southern Minnesota line and the line out to Mile City, Mont. With that $18 million you could have done an awful lot of tie laying and rail replacement. Instead, the Government was paying the Milwaukee $300,000 a day as a subsidy to their operation, which to me is a waste of money.

Senator BOSCHWITZ. Well, thank you very much. I appreciate your coming. I didn't realize the President had included your plan in his revitalization program, which is I think the fourth or fifth such program that he has come up with to fight inflation but it's always interesting to see them as they come along.

Senator DURENBURGER. Thank you.

Senator BOSCHWITZ. Secretary of Agriculture Butz is not here yet. That's understandable. Having been driven here myself, I never would have found the place.

Jack Lambert is the next witness, and a very active force in the board for Twin City Barge & Towing Co.

I misspoke a little before when I talked about the increase in capacity. The increase of capacity, of course, is the entirety of the second lock and not just the difference between the capacity of the first lock, but we have your testimony and ready to go.

Mr. LAMBERT. Thank you, Senator.

STATEMENT OF JOHN W. LAMBERT, CHIEF EXECUTIVE OFFICER, TWIN CITY BARGE & TOWING CO., ST. PAUL, MINN.

Mr. LAMBERT. My name is Jack Lambert. I'm chief executive officer of Twin City Barge & Towing Co., a St. Paul-based firm. We have been in business, the river business, for 28 years. We operate a shipyard in Saint Paul, barge line primarily involved in the movement of export grain, operating between the Twin Cities and gulf, Illinois River and also operate a grain terminal in South St. Paul, where we will load some 600 barge loads of grain and feed products from rail and truck this year.

I have already submitted my statement some 2 weeks ago, Senator, to your staff. I don't want to take up the time in reading that. I want to touch on the highlights and then you may have some questions. You asked about the basic issues affecting the river transportation that impacted on Minnesota agriculture, and in my prepared statement, which I have submitted for the record,[1] I indicated that the constraints imposed on the system at lock and dam 26 were one of the issues, problems of channel maintenance is another issue, and third I indicated the difficulty in attaining barge fleeting or mooring spaces on the riverfront in metropolitan areas, such as the Twin Cities, was an additional problem that was impacting on the ability to move.

I might add one other item that really isn't solely a river transportation problem and that I have not covered in my statement and that's the—what I consider to be the futility of the ongoing intermodal warfare between rail and barge, and I might state that my company is currently conducting an effort for future joint rail-barge rates with the Milwaukee Railroad from certain country elevators on their western lines, west of the Twin Cities, through our South St. Paul terminal to the gulf.

With that, Senator, I would be pleased to answer your questions.

Senator BOSCHWITZ. Why don't you go forward with your statement, which is not so terribly long, and would be helpful to me.

Mr. LAMBERT. All right, sir.

The construction of lock and dam 26, as I indicated, is a paramount issue.

The construction is now proceeding, based on the authorization of Congress in 1978, and based on the present engineering plan the new chamber, one chamber will be operational in 1988.

It's been apparent since 1969 that the present locks were saturated. Current down bound traffic has leveled out at a rate of 3.8 million tons and the vast majority of traffic is grain. There isn't much else to move south on the Mississippi River system.

Based on average annual season of 9½ months, that means we have a maximum annual capacity of some 36 million tons of down bound grain. It doesn't matter how many barges and towboats you push to the lock, the turnstile won't take any more than 36 million tons in the old lock chamber.

Now we have defined this constraint and the present saturation in a study for our industry by Peat, Marwick, Mitchell & Co. accounting

[1] See p. 178 for the prepared statement and attachments thereto of Mr. Lambert.

firm and a copy of the full study is attached to the statement I have provided the staff.

It must be noted that the Peat, Marwick, Mitchell & Co. study said if the export grain demand continues its present growth rate from points above Alton, Ill., the demand by 1988 will have exceeded the capacity of the newly activated lock chamber. We will just play catch with one new lock chamber. If we are not to replace one bottleneck with another it is imperative that the Congress authorize the second chamber at the new site. The issue of the need for the second chamber was recognized by Congress in Public Law 95–502. That act mandated an "immediate evaluation of the economic need for a second lock" by the Upper Mississippi River Basin Commission. To date, the commission has persisted in pursuing its own study timetable and has indicated its defiance of the congressional sense of urgency.

Assuming that the U.S. Department of Agriculture forecast of export demand through 1987 are correct, and assuming that there is no transportation alternative to move that grain which cannot transit the old lock and dam 26, the loss of agricultural exports will be enormous. That deficiency will total 82½ million tons by 1987. In agricultural terms that's 2.8 billion bushels. In terms of present farm commodity value it represents lost exports of over $11 billion to upper Midwest agriculture.

Present delays at lock and dam 26 also constitute a hidden tax, because of the costs of those delays, the fuels that's being burned while we are sitting there, and we estimate that that cost will be some $40 million in 1980.

I might also mention, before I leave lock and dam 26, that as of today there are 57 tows sitting there. That's a towboat with a group of barges in front of it, and you may assume there are something in the order of the magnitude of 600 barges sitting there, and we have been incurring delays up to 3 days going both directions for about a month now. When the other major problems we have——

Senator Boschwitz. May I stop you there just a minute? I think I mentioned the date of 1987 and you are talking 1988. I got my date from some testimony yesterday. I think I asked in my opening statement if there is a way that that can be expedited, and do you cover that in your statement?

Mr. Lambert. No, I don't. I can tell you what I know of that subject though. I have raised that subject with the Corps of Engineers. They told me that because of engineering absolutes in construction, the need to dewater and drive pile and pour concrete in a certain orderly fashion—and I'm not an engineer, but am merely relaying what they said—that there is no way of speeding up that process. I said to them that you mean pushing more money at the project would not speed it up, you couldn't get it done any faster, and they said that's correct. General Morris, General Hyberg, people like that said that to me. I tend to think there must be some element of truth in that, because I have never heard of a Federal agency yet that said if they got more money that they couldn't spend it and use it.

Channel maintenance is one of the other items I mentioned. We are having problems navigating not only the Mississippi, the Upper Mississippi River system, but all other ports in the navigable system,

89-153 O - 81 - 6

because of the inability of the Corps of Engineers to properly maintain the navigation channels. That problem has arisen from the enactment of 402 of the Federal Water Pollution Control Act of 1977, by which the States were required to establish water quality standards, and then a subsequent enactment of 404(t) of the Federal Clean Water Act of 1977, authored by ex-Senator Anderson, in which States were given more definite authority to exercise a considerable degree of control over the discharge of dredged material on navigational waters. I can only say that Congress has given the States the right to do certain things and they told the Corps of Engineers they have permission to maintain the river, sort of like the irresistible force and the immovable object. The two goals are contrary and things simply are not working out, and the corps is unable to maintain things as they have done in the past. And while their methods of a decade ago may have been environmentally unsound, their methods of today are causing navigation problems and creating new constraints on the river. In very simple terms, Senator, the bottom of the river is getting closer to the top.

BARGE FLEETING

Barge fleeting in the Twin City area has been a matter of constant battle for the last several years. As the volume of traffic on the Upper Mississippi has grown steadily there has been concurrent demand for land use. Parks, recreation, open space are obviously all legitimate uses of the river and the bottom land and joining shoreline, and there is a constant struggle between State and local agencies of government—and there are so many of them, that I couldn't name them all here, I don't believe—to stake out a claim to the river bottom. The problem here is that obviously the river bottoms are the places we must moor barges, must build new grain terminals, coal or energy terminals, if we need them in the future, and that land use battle is being won right now by the folks who want to hold everything that is left in a no grow situation. Essentially it is being held for parks and open space and we can't increase the capacity here even if lock and dam 26 is increased and we have more grain to move. We simply can't increase the capacity at this end of the pipeline. We don't have more terminal space and we don't have more mooring space for more barges.

Senator BOSCHWITZ. Is that a national issue? Do you quote mostly the Federal Government with regard to the Federal parks or primarily a local issue?

Mr. LAMBERT. Senator, up here it is a—well, the U.S. Fish and Wildlife Service and EPA are always involved in these matters, but up here it is a very strong local issue. It goes down to city councils, county boards, township governments. The Minnesota Environmental Quality Board is currently conducting a study of problems and needs for barge fleeting, because nobody wants it. It's like the freeway. Everybody says yes, there is a need for it, but don't do it on our piece of riverfront.

Senator BOSCHWITZ. Well, Jack, I thank you very much. We have had discussions about the barge traffic before and I will make every effort to become more knowledgable in the area. As you know, to be knowledgable in so many areas it is very difficult to gain some insight

into one particular area sometimes. I do want to stress more the whole business of transportation, because I believe that not only is this vital for the farmers of Minnesota, but for the Nation. So I thank you very much for your testimony, which has been very helpful, and I will take a look at 95–502 and find out why the Upper Mississippi River Basin Commission is not making that immediate evaluation that we asked for, and will see why they are pursuing their own timetable, rather than the one the Congress asked for. I will let you know.

Mr. LAMBERT. Thank you, Senator.

Senator BOSCHWITZ. The next witness is Dave Helberg, the executive director of the Seaway Port Authority of Duluth. Those dealings have always been helpful to me and very crucial, and, Dave, welcome here as a witness for the Agriculture Committee.

This is all yours?

Mr. HELBERG. Yes, thank you, Senator, I'm happy to be here.

[Discussion held off the record.]

Senator BOSCHWITZ. What you don't present I will read.

Mr. HELBERG. Thank you, very much.

STATEMENT OF DAVIS HELBERG, EXECUTIVE DIRECTOR, SEAWAY PORT AUTHORITY OF DULUTH, DULUTH, MINN.

Mr. HELBERG. My name is Davis Helberg. I am executive director of the Seaway Port Authority of Duluth. I did not intend to read that entire "Gone With the Wind" report into the record.

I make reference in the prepared statement [1] to the significance of the Port of Duluth-Superior as one of the Nation's leading agricultural ports, and in reference to Senator Durenburger's comments about the Port of Duluth-Superior slipping from 2 in the Nation in 1940 to 11 in the Nation 40 years later, that's something of concern to us. I also would like to point out we did climb from 14 back to 11 in the last couple of years, and replaced a smaller port on Lake Michigan, Chicago, I believe it is, as the No. 1 port on the Great Lakes. We also continue to be ahead of other ports, such as Los Angeles, Boston, Detroit, Portland, and Norfolk and other major metropolitan areas.

Senator BOSCHWITZ. What is your tonnage?

Mr. HELBERG. In 1978 the Corps of Engineers, which has received a few comments, some more favorable than others, this morning—they take about a year and a half to assemble a national summary, so the latest official summary was for 1978 and we were 45.8 million tons waterborne commerce that year. For 1979, according to our statistics, we moved to 49.3 million tons of cargo.

Senator BOSCHWITZ. I think Dave spoke about 1940, made the comparison.

What was it in 1940? Do you have any idea?

Mr. HELBERG. About 40 million tons, but during the war years there was tremendous movements of iron ore because of the war effort, and in 1940 we were not yet embroiled in it. We were though, of course, helping the allies. It's interesting to know also we were already involved in the year-round navigation in those periods, because we had to be. I will get to that in a moment.

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[1] See p. 192 for the prepared statement and attachments thereto of Mr. Helberg.

Senator BOSCHWITZ. Good. I would be interested.

Mr. HELBERG. I made the comment also, or attempted to in my statement, that while moving 50 million tons of cargo a year and while our metro population, if I may use the term "metro," is only about 150,000 people it is quite obvious our tonnage is not captive. We are a transit port, and because we are a transit port we are highly reliant on good highways, good railroads, competitive rates. In other words, on the inland transportation that has been discussed at length here today. As a matter of fact, according to the Association of American Railroads, Duluth-Superior in 1978 was second in the Nation only to Houston, as an unloading port for railcars. Last year, primarily as a result of the grain handlers strike, we suffered in that year and were fourth. As far as we know, as a port capable of handling oceangoing ships, we also are No. 1 in the Nation in number of grain truck unloading, which has been a matter of some interest to me.

From the standpoint of waterborne transportation, it is our feeling, and we recognize to some extent our interests are parochial, the St. Lawrence Seaway and Great Lakes offers the best elements of both shipping worlds. As energy is becoming more precious the agricultural productivity continues to increase, and as the world's population continues to grow, as greater emphasize on exports continues to be absolutely essential to balance our international trade, the Great Lakes seaway system must be granted greater recognition by the Federal Government as a means toward helping to achieve broad national goals.

Comments were made earlier by Jerry Fruin and others, and Mr. Springrose, of Cargill, regarding the national railcar situation. I have heard similar comments to my testimony this morning that there is a hue and cry often about railcar shortages, and we agree with those that said earlier this morning that it is not so much a shortage as a lack of availability. This is a structure that we have attempted to battle and are continuing to battle. It's a situation where the rail rates presently, as an example, from a point in, let's say, Atchison, Kans., to Pensacola, Fla., are lower than that same point in Kansas to Chicago, even though the difference in mileage is about 500 miles. For some reason—and I should preface what I am about to say now with the comment that some of my best friends are railroaders. We are highly reliant on the railroads to serve our port and have excellent service from some of those railroads.

There is still in this Nation and in the railroad industry a long haul syndrome on the part of many of the railroads, almost an obsession with the long haul. Consider what happens in view of the long haul to our national energy supply. Study after study was made which concluded that waterborne transportation is more energy efficient than any other mode of transportation. Consider also that one seaway ship carrying 22,000 tons of heavy grain is equivalent of 219 jumbo hopper cars or 926 grain trucks. I think that the connection between energy savings, particularly these days, and what can be offered by waterborne transportation has not been addressed fully enough by the Federal Government and by the public at large.

This matter of rail rates, we have pending right now before the Interstate Commerce Commission one more suit. I don't use the legal

term, the correct legal term, because I am not a lawyer. We have hearings scheduled in October in Chicago in a case we are presently pursuing on behalf of the Western Great Lakes Port Association in an effort to achieve fairness once again with the rail rates.

Some comments were made earlier about season extension, the annual winter closing of the Great Lakes and seaway system, as well as the Midwestern agriculture that relies so heavily on the system.

As I am sure you know, Senator, the Corps of Engineers is currently analyzing the public comments of the report of last December which recommended a 10-month season for the Welland Canal and the St. Lawrence Seaway itself, and 12 months shipping for Lakes Superior, Michigan, Erie, and Huron. As some earlier testimony found out, year-round shipping on the Great Lakes and 10 months for the seaway at large does not necessarily help us move any international cargo, and while we had agreed with conclusions in general we are continuing on urging for an 11 month seaway season.

We do not know when the corps final or next report will come out after this present survey. We hope it will be soon.

Another limiting factor for seaway shippers is the imposition of sharp increases in seaway tolls. In the prepared testimony I point out what has happened. For example, in the instance of bulk grain, just in the last 4 years there has been a dramatic increase in tolls. A bill to restructure the financing of the St. Lawrence Seaway Development Corporation was introduced a year ago by Representative James Oberstar. It has languished in subcommittee for the last year, and although I refer in my written statement to that bill and ask for companion legislation in the Senate and would like to call your attention to the fact this past Tuesday a new bill was introduced in the House, H.R. 8027, which effectively is something of a compromise to the original bill. The original bill calls for complete forgiveness of the remaining $110 million construction debt on the seaway.

The new language or new bill, 8027, would extend the repayment, from the present 50 years to 80 years. The importance of that is that it would at least flatten out the level of repayment to a consistent level until the construction debt is completely repaid. Philosophically we object to the idea that the construction debt must be repaid in the first place, but if that's the way it must be, then it would seem to be a workable solution.

I do understand that in view of the chairman of the subcommittee where the bill has been suffocated for the last year might have a different idea, and we also look for help on the Senate side——

Senator BOSCHWITZ. Who is that?

Mr. HELBERG. Ray Roberts of Texas.

Also, I would like to make some comments, if I may, about Public Law 480, the Food for Peace program. We occasionally hear criticism that it represents a give away program, and therefore it somehow adversely affects the American economy, but while food products shipped under 480 are, indeed, donated to either malnourished or the disaster stricken of the world we suggest that critics should be enlightened regarding the economic benefits.

The program also provides for American producers, processors, railroads, truckers, longshoremen, warehousemen and other people in

occupations involved in handling these humanitarian shipments. Food for Peace cargoes represent the single largest general cargo exports for the western Great Lakes Ports of Duluth, Superior, Green Bay, Milwaukee, Kenosha, Burns Harbor, and a lesser extent, Chicago. Such cargoes, commonly shipped in 50 pound bags are highly job intensive, and the warehousemen and longshoremen who handle the bags are paid in hard currency. In other words, it's not a give away commodity to them. It often means their own bread and butter.

Indeed, we encourage an expanded Public Law 480 program, not only for the humanitarian purposes inherent in the program, but also what it represents to our ports.

We also urge that additional research be conducted to fully explore the possibilities of using other protein supplements for the program, possibly through utilization of our new, high protein, multipurpose wonder crop, sunflowers. We would remind the committee that a multi-million dollar sunflower crushing plant presently is under construction in the Red River Valley of the north and that three or four additional crushing facilities are expected to be operational by the mid-1980's.

I have discussed this matter with Sunflower Association Grower's groups and they feel it would add a new dimension for the development of the sunflower.

Also, a final comment on Public Law 480. I sometimes doubt that it's widely known that during our shipping season the Great Lakes serve as a cost-saver to the total program. It works this way. USDA allocates Public Law 480 cargoes on the lowest landed cost formula, taking the crops from origin port, overseas ocean freight to destination. It's quite interesting to us that when the Great Lakes closed during the winter, then with their annual closing instantly and automatically the rates quoted by the oceanlines serving the gulf ports and river ports increase automatically. Last year, as an example, we saw the rates go up $20 to $30 per ton as soon as the last allocation for the Great Lakes was made, but then in the spring when we open again and are competitive again, then those competitors for the same lines, many receiving subsidy, out of the gulf bring the rates back down again, and so they can compete with the Great Lakes. In other words, our mere existence and competitive nature of the Great Lakes business in this one area keeps a lid on total costs.

I would also like to make a comment on the Soviet partial embargo for feed grain to the Soviet Union. There has been considerable attention given or paid from the agri-business community, but comparatively little notice has been paid to its effects on certain ports. I am not in a position to comment about the embargo's effect on the Soviets. Certainly from my experience I cannot say. We can say this: In 1979 56 ocean going ships—none flying the Russian flag, but rather the flags of other nations, Liberia, Norway, Italy, carried almost a million short tons of corn and a small amount of barley from Duluth-Superior to the Soviet Union. This represented roughly 12 percent of our port's total grain exports and contributed an estimated $16 million in direct economic impact on our community.

We have suggested that the alternative would have been—and still could be—a premium price attached to Soviet sales.

Senator BOSCHWITZ. I suggested that to the Secretary, also. He said you couldn't control the price of a commodity in international commerce, but somehow could control the supply and flow. Go ahead.

Mr. HELBERG. That's interesting. I am glad you did that, Senator. There certainly must be ways that could be done. If the Soviets do require the feed grains as desperately as some spokesmen say they do, then it seems they would presumably be willing to pay a price measured in dollars and cents. As I suppose we indicated before, we also would just like to say that we believe full utilization of the Great Lakes port and St. Lawrence Seaway system would make immeasurable contributions for further expansion for the benefit of farmers, processors and port industries. I thank you for this opportunity. If you have any questions I would be happy to answer them.

Senator BOSCHWITZ. One question. That is, just tell me a little bit about the year around operation of the Port of Duluth during the forties, if you can in a relatively abbreviated form.

Mr. HELBERG. Well, in spite of the fact that I was a very young lad at the time, but for that period of about 3 or 4 years it operated year around, because it was part of the war effort and had to be done.

Also, I want you to understand in 4 years out of a 5-year period in the late 1970's steel companies moved taconite and iron ore concentrates from Two Harbors, Minn., to Chicago year around. They told us at the time that they were saving $5 a ton. Five dollars a ton, despite the hardships, despite delays caused by the weather, especially in the St. Lawrence area. St. Lawrence River, as opposed to going an overland route. There had been a number of obstacles in season extension. There are some legitimate environmental concerns and also some absolute red herrings in continuing of such season extensions. If——

Senator BOSCHWITZ. In the 1940's the iron ore did not go across the whole seaway.

Mr. HELBERG. But it did go to the steelmaking centers. For example, the Cleveland area and eventually the Cleveland mills, Pittsburgh.

Senator BOSCHWITZ. Well, thank you very much. I see that Secretary Butz is here. Maybe we will take this opportunity to take a break, and then after his testimony maybe we can take another short break for the benefit of the press, who may want to ask some questions, as they do from time to time.

[Discussion held off the record.]

Senator BOSCHWITZ. I am pleased to have my senior Senator join me and also the ex-Secretary of Agriculture Earl Butz, a great friend, and whose ideas on agriculture certainly have influenced me a great deal, and, Mr. Secretary, while we are holding the hearing this morning that deals with transportation, particularly as it affects Minnesota and the upper Middle West we would appreciate it if you would deal with the 1980 farm bill in a more general way and perhaps citing the 1977 bill, and where you see areas for improvement, and anything else that you would like to touch upon.

Do you have anything Dave?

Senator DURENBURGER. This is a unique opportunity for me. Minnesota is probably in one sense very fortunate—and obviously the Secretary would agree with us—to have two Republican Senators for a change.

Mr. BUTZ. Two good Republican Senators.

Senator DURENBURGER. Thank you. In a more important sense what we are doing here today as freshmen Senators and as Republicans is critical from a standpoint of the rural economy and agriculture. The two of us have been selected to two of the most important committees in the Senate. Rudy is on the Agriculture Committee and I was fortunate enough to be able to get on the Finance Committee as a freshman. These really are two of the committees that hold in their hands the future of agriculture.

I am honored that Secretary Butz has taken the time to share his thoughts on that future with us.

Senator BOSCHWITZ. It's a real pleasure to have you here.

[Discussion held off the record.]

STATEMENT OF EARL BUTZ, PURDUE UNIVERSITY

Mr. BUTZ. Senator Boschwitz and Senator Durenburger, I have no prepared statement. Since I left the office of Secretary I don't have a speechwriter. Therefore, I will wing it here.

Senator BOSCHWITZ. You have done that before.

Mr. BUTZ. Yes, I have.

You made some reference to Minnesota being fortunate in having two Republican Senators, and a Governor I may add too, but I want to say at the outset that agriculture, and agricultural problems are neither Democratic nor Republican. I think we have to approach agricultural legislation as what is best for American agriculture and best for America's basic food and fiber producers, and for the total agriculture industry. We sit in the Twin Cities in a very important agricultural center. There is a lot of agricultural business centered in the area where we sit now. This is a vital part of our total food and fiber machine in America. I think it is very difficult to disassociate one from the other, when you are talking about the total agricultural package.

We are in a difficult cost-price situation in American agriculture in 1980. You hear about cash-flow problems and the difficulties of meeting our cash commitments; it is tough in many parts of the country. The inflation, in my opinion, is in large part generated by congressional action in one way or another. The continuing horrendous Federal deficit we have is inflationary. The tendency to spend for everything that comes along can only be inflationary. There are so many work disincentives in our welfare program. For example, many people can't afford to take a job. They live better on welfare, in many instances, than they do working. This inflation has jacked farmer's costs up, and the trouble with that is once they go up they never come down. They always stay up.

Farmers sell on a yoyo market, as your own farmers can testify; the cattle farmers can testify and the corn and soybean farmers can testify to that. Sometimes it's a weather market and sometimes it's influenced by things beyond our shores. The real job should be to stabilize our costs, if we can.

The other day down in my State I was talking to this good family farmer, 600-acre farmer. I asked how is the cash flow? He said, "Well, the cash flow is pretty good. The trouble is I ain't stopping any of it."

I think he put his finger on the problem. Costs are up. How do we correct it?

First, we make a genuine attempt to slow down the inflation. To stop it would be asking too much, I think, but we must make a genuine attempt to slow it down from the horrendous rate we have been experiencing.

Secondly, I would like to see us make an attempt to decrease the participation of Government in the commodity markets of the United States. One of our goals in the last administration was to get the Government essentially out of the commodity business. I think we made some success.

When I became Secretary, the Government was heavily involved in the commodity markets. We owned them outright. We worked them down by selling them. And then to make sure our successor would find it difficult to get back in the storage business, we sold all the steel bins that dotted the countryside of Minnesota and Iowa and Wisconsin. Those bins were not destroyed. I still see them out in the country today. They are in farmyards. They are in country elevator yards, but instead of having "U.S. Government" painted on them they have "John D. Black and Sons" painted on them. Personally, I prefer to see "John D. Black and Sons" painted on them.

After the Russian grain embargo last January, President Carter directed Secretary Bergland to purchase 4 million tons of wheat, owned outright by the Government, to meet our international food relief commitments. When the Government purchased 4 million tons of wheat it didn't increase the total supply of wheat in this country by 1 bushel, because you only get wheat once a year. I don't know any way to get any more wheat in this country before next July. You have to wait and long. All that did was transfer ownership, and therefore market control, of 4 million tons of wheat from the private sector to the public sector; it didn't increase our capacity for international relief one iota, but it gave the Government market power. The Government now owns that wheat. They are not going to mill it. They are not going to bake it. They are not going to dump it in the ocean. They are not going to let a single bushel go out of control. Wouldn't that make a nice headline for the Minneapolis Tribune? They are going to feed it back into the market. That's the only thing they have left to do with that wheat—to feed it back into the market.

A little while back Secretary Bergland said we will put the wheat back in the market in such a way as not to depress farm prices. What he would have better said was we will put the wheat back in the market in such a way to prevent increases in farm prices, which is the very purpose of Government held reserve. This makes market forecasts very difficult, because in part at least that wheat will be released based on political considerations, based on pressures the Secretary has to deal with. We have developed pretty good techniques in this country for forecasting the forces of supply and demand. Nobody yet has developed a technique to forecast governmental decisions on when and how and why. Indeed, those that make those decisions don't know today the pressures they have to live with tomorrow and don't know which direction they will be pushed tomorrow. I think it is unfortunate if Gov-

ernment is getting itself in the position of being in competition with our farmers in the marketplace.

I think the best evidence of how farmers fare with a relatively free market comes from the experience of the Nixon-Ford administration, when farmers were market oriented. They had their best years then. We were competitive in the world market. We were not the world's residual supplier, as we are right now. I think we have to be careful as you approach the 1981 Farm Act that we don't get our loan rates so high that we continue to be the world's residual supplier. That is essentially what we are now.

We have announced to the world that for all practical purposes we are not going to sell wheat or corn or grain sorghum or soybeans or other feed grains below stated levels, with an escalator built into them. The world knows if the price falls below that we let the Government take it. We keep it in our reserve. We pull it out only when the price is above that. That means that our competition, Canada, Australia, New Zealand, Argentina, South Africa can just undersell us until they empty their bins and their warehouse, and we take what market is left. That's essentially where we are now—as a residual supplier in the world market.

By far the worse thing is if we get to the point where we have overproduction in the world, and that very process encourages production expansion elsewhere in the world, because you guarantee the price for the length of our farm bill. You guarantee this price for 4 years, which means that capital is attracted into production in the competitive areas of the world, knowing it will be safe for 4 years. This is a powerful magnet to attract capital into production. Once you get it into production it tends to stay in production. That's precisely what we have been doing.

Then you get into a period of overproduction. The only place where you make the production adjustments is in the United States. This is the almost unbelievable situation we have been in in recent years, not alone the last 3 or 4 years, but through much of the 1940's, 1950's, 1960's, except for wartime interludes. We have been the sole production adjusters in the world. Here we sit with the world's most efficient agriculture, the most productive agriculture, the only Nation in the world asking our farmers to curtail output. It's an almost unbelievable situation. I can trace it back to unwise legislation, where we yield to the short-term political pressures, then end up with practice of high loan rates. Somebody said years ago about the ever-normal granary, and it's not a new concept, the ever-normal granary isn't. Joseph tried that with the pharaohs in Egypt, the 7 fat years and 7 lean years. Joseph received the benefit of divine guidance, and he failed. I don't think the present crowd has the benefit of divine guidance. This is not a new concept. Somebody said about the ever-normal granary that the door is always open inward. They open outward very reluctantly. But at sometime they have to open outward or you have to cut production back, because you simply don't have enough space to keep the stuff or the cost becomes so exorbitant that the nonagriculture sector won't tolerate it any more. That's beginning to get where we are at right now. I think we ought to be careful to keep ourselves competitive in the world markets, which will help push our exports.

Right now we export one crop acre out of three in this country. We need to export 60 percent of the wheat in the United States, need to export half of our soybeans, from one-fourth to one-third of our feed grains in this country. We simply have the capacity to produce beyond our capacity to consume domestically. But more than that, it is in the national interest to export. This year we are exporting $38 billion worth of farm products. It's our No. 1 source of foreign exchange. The great thing about this is it's a renewable resource. We build a new cement factory in China. That steel and concrete is gone forever. If we decide to sell China 1 million tons of wheat next year we have got another million tons to sell. It's a renewable resource. It doesn't diminish. We ought to keep ourselves competitive.

In the new legislation we must make sure we don't make the U.S. Government a primary market for our producers. If we do that we are not competitive. I think the farmers need a loan guarantee under them. I think we all agree to that. Let's not put the guarantee so high that the Government becomes the primary market, so that they can accumulate supplies for the sheer purpose of preventing further increases in prices, as we now have with 4 million tons of wheat owned by the Government.

There are many other aspects of government we could discuss, but I understand this is about transportation today and I simply want to say—may I go ahead?

Senator BOSCHWITZ. Absolutely.

Mr. BUTZ. Be careful. As a longtime professor I am wired for 50 minutes. You didn't mean absolutely, did you?

Senator BOSCHWITZ. Absolutely.

Mr. BUTZ. A word about transportation. This is absolutely—to use your word—vital for agriculture. Rail transportation is in a shambles in many parts of the country. In spite of efforts to revive it, it probably will not be revived, because there is just not enough volume to generate the traffic they need. The price basis between country points and central market loading points is too wide, primarily because of transportation bottlenecks and difficulties.

I personally feel deregulation of the trucking industry would be in the interest of a good transportation system. That's a debatable question, I know. I think competition would be a good thing there.

I feel personally that areas like Minnesota and my home State of Indiana and Illinois and Iowa should push vigorously for prompt lock and dam 26 construction on the Mississippi. It can be a major bottleneck. I understand that it's inadequate now. The other day I flew over that and I looked down there and I saw barges backed up almost as far as I could see at that point. I inquired how long was that stretch, and they said it is about 1 week long. I said, "What do you mean?" It's taking this guy back there 1 week to get through, just sitting there and waiting to get through. It's a very severe bottleneck in an important transportation system.

I put that very high on the priority list of transportation needs, not alone to move the products out, but we move the fertilizer up the river, too. Much of our petroleum supplies move up the river, and they use the same system. I think that's of interest, not alone to the American

farmer, but to the midwestern users of petroleum. I place that very high on the priority list of transportation.

That's the end of my manuscript that somebody didn't write for me.

Senator BOSCHWITZ. Let me ask you, Mr. Secretary, what your opinion was of the embargo, whether or not the effects of the embargo continue and at this point would it make much difference if the embargo was lifted?

Mr. BUTZ. We had two embargoes while I was Secretary. They were terrible. They were economic mistakes and political mistakes. At the time the administration put them in they thought they would be good politics. They turned out to be very bad politics. They were done in response to tremendous consumer pressures to do something about rising food costs. They were wrong.

When President Carter last January imposed the embargo against the Russians, I endorsed it originally, much to the chagrin of many of my Republican friends, not because I like embargoes. I thought it was time we took a hard line against the Russians. I thought it was time we showed some real backbone in our national character. I thought it was time Mr. Carter used the strongest lever he had against the Russians, short of overt military action.

I said that I thought the farmers would support this if you don't single them out to bear the burden alone. This is what happened. They were asked to bear the burden alone. They were asked to become a pawn on a chessboard of international diplomacy, which I think is using farmers in the wrong way.

It turned out the embargo has been much less effective than anticipated. Nobody knows how effective. It has hurt Russia some, I'm sure. There is some evidence. They are cutting back in livestock numbers, partly because of some downturn in their own production and partly because of difficulty in securing adequate supplies of feed grains from other markets.

It has hurt the American farmer, no question about that. I think he has been asked to bear the burden of this thing pretty much unilaterally.

In retrospect, I think it was a mistake. It did not get them out of Afghanistan. It did not deter them from their actions. It only hurt us and hurt them a little.

Should the embargo be lifted? Yes.

When? I think there is no chance of it until after the election. I think if I was in Mr. Carter's position right now, that he has taken a very firm stand that we are not going to lift it now, and if he lifted it before the election he would subject himself to one more criticism of reversing course. But I think after the election the embargo should be lifted promptly, regardless of who wins the election. I think it will be lifted rather promptly regardless of who wins the election.

The pressure for agricultural trade with Russia is tremendous on both sides. They need our feed grains. They need it badly. We need their foreign exchange. We need it badly to balance our foreign exchange accounts. I have been around long enough to know that given time, political realities tend to adjust themselves to economic pressure.

I don't object to selling Russia every ton of wheat and every bale of cotton we can exact hard dollars for. I think it's great if Russia

extends her lifeline right into middle America. It makes them vulnerable to our shutting off that lifeline. I think they have now seen us try to shut it off once, and if things get out of control it might happen again.

Furthermore, I'm glad to have us soak up their precious foreign exchange for usable consumer items like food. I think we have them where it hurts. I think we ought to sell Russia every ton and every bale they can get a dollar to pay us for.

Senator BOSCHWITZ. Our predecessor in the U.S. Senate, Senator Humphrey, used to say, "Sell them anything they can't shoot back at us."

Mr. BUTZ. That's right. Hubert was right as he could be.

Senator BOSCHWITZ. We spoke yesterday about the private reserve system and I wonder if you would comment on that. You did touch upon it when you said those grain bins that used to say U.S. Government now have the names of private individuals on them, which I certainly endorse as well. Yesterday we talked about the private reserve system and whether or not it has a constructive aspect to it, whether or not it tops off the price. It was suggested perhaps the storage fees should not be abruptly cut off at a certain level, but perhaps there should be a phase in in some way, so that at a given price level a maximum price is not established and by effect causing a dumping on the marketplace. I wonder if you would comment on private reserve system in general.

Mr. BUTZ. Yes. I would be glad to. We sit here in an area where you have tremendous private storage capacity, and agri-business right here in this town. In the last few years we have built a tremendous storage capacity on farms in America. This has been good, I think. It gives farmers market power, to the extent that they put their grains in so-called farmer owned reserve.

There is a level at which they may release it and there is another level at which they must release it. The second level becomes a ceiling over price, so the philosophy of the farmer owned reserve, as currently administered, is you have a narrow range at which prices fluctuate. The loan rate on the bottom constitutes the floor, and the release price on the top constitutes the ceiling. Then—if I gaged your question correctly—what happens if you remove the ceiling? Then it puts farmers in control of their own destiny and they don't have to sell unless they wish to.

When we were in Washington, there was a great deal of pressure to get the Government into the commodity business, saying we need this to assure supplies. I recall the American Baker's Association had a campaign saying that if we don't stop exporting wheat, bread would go to a dollar loaf. That was as phony as a $3 bill, but it sold. During that time, I didn't see a single bread shelf empty because the wheat didn't come in. I didn't see a single boat in the New Orleans port or Duluth ports that couldn't load because the wheat didn't come. We had a perfect mechanism to get wheat. If it didn't come fast enough, we just put another quarter on the price, and it came out of the woodwork. This is the American system, and it works. It works both ways. As the price goes up it tends to discourage consumption that can be delayed. It tends to encourage marketing and production. That's the

function of price. When you put artificial regulations on that you send false signals out to both producers and consumers.

We are adequately equipped in this country, with the private sector of American agriculture as it is, to perform the storage function completely and adequately.

Senator BOSCHWITZ. Some farmers respond, Mr. Secretary, to the idea of a private or market system that unfortunately there is a disparity of economic forces in the marketplace and they are at the short end of that disparity. They have very little impact on the market and that returning to an entirely free market system would put them at a further disadvantage. I wonder if you would comment on that?

Mr. BUTZ. I don't know of anybody who advocates an entirely free market system. Our farmers need some protection. After all, they make a front-end investment. If you are a corn farmer in the south half of Minnesota you have got a cash input of $100 per acre in that crop before the corn comes up, in seed, fertilizers, and pesticides.

We ask our farmers to produce, to meet this export commitment. It's in the national interest. We ask our farmers to feed us well and cheaply, and we do feed ourselves well and cheaply in this country. I think they have got to have some guarantee under them. That could be in the form of loan rates at a level, as I said before, that does not make the Government the primary market for the product. It should be kind of an insurance program.

I like the—well, program going through the Congress on this all-purpose crop insurance program. It replaces the disaster program. I think this makes sense. We tried to get something like that in the last administration. I know it comes slowly, because now with the disaster payments you have got a kind of insurance program with no premium payment. And from the public point of view it doesn't make sense to do that. I think our farmers need some protection. Therefore, when you say, "completely free market system", I don't know of anybody who responsibly argues that, but we do need a relatively free market system. I think our farmers will do better that way than they do under the present system, because at one time or another we have production controls, we have allocations, we have diversion programs. The market waits on the Secretary's decision. That's not the way we should direct American agriculture.

I mean, that decision should not come from a Republican or a Democrat. It's not a political decision.

Senator BOSCHWITZ. Would you expand a little on your thoughts on the way the Government should be involved in the insuring of risks to the farmers?

Mr. BUTZ. This is a technical problem. As I understand the legislation that is currently in process in the Congress, it will be a partial public subsidy of the insurance costs. Of course, the question always is how large is partial, and I think that's proper, but again I think it ought not to be large. If you get it too large then you ultimately get in a position where the nonagricultural budget makers in Washington become critical, as they are now with some of our farm programs. Secretary Bergland is now faced with some of the same things I was faced with. "You are spending too much money. Then you get the political no-no's."

Senator BOSCHWITZ. The Government subsidy ranges from 20 to 40 percent and then they also set the percentage of coverage, and that percentage of coverage is trying to do just what you say it will, that the folks at OMB, the Office of Management and Budget, will say you are spending too much money. The way you can do it is to insure less of the crops. If the——

Mr. BUTZ. That's my point. In any administration, because no President likes a great unbalanced budget, and the OMB—well, they don't like it either. What bothers me is they zeroed in on the Department of Agriculture and then you get these no-no's. You can't touch this, and then you end up paring the very essential things you ought to be doing. You end up paring research support for the University of Minnesota, St. Paul. You end up paring support for the Soil Conservation Service and for the essential things the Department of Agriculture ought to be doing. I think it is wrong to give too much subsidy of that kind in the Department of Agriculture. It's bound to impinge negatively on the long-term essential things the Department of Agriculture has done and should be doing.

Senator DURENBERGER. Let me ask you to expand a little bit on your view of the future of transportation in this country, and you commented on the easily observable problems of the rail industry in the country. You picked out one of our greatest problems here, the problem of stifling the growth of river transportation, and I guess we have seen particularly in the last 12 months with a lot of problems that we have had with the strike up in Duluth and failures of a couple of railroads, so we have seen the impact that has on the highways.

We find the folks in this room and in Washington to be meeting with each other one way or the other on deregulation bills or financing of river transportation or financing of highway transportation and so forth, and what is your basic feeling, given the realities, what is your basic feeling about the future of transportation in this country, looking at the different modes and what Government's role ought to be in that future?

Mr. BUTZ. Did you say you people in this room were divided on this? No doubt the Minnesota Trucking Association is sitting here, too, who fears deregulation.

I can get into the trucking business in my State if I want to plunk down $100,000 for a piece of paper that permits me to get into it, and then I buy my truck after that. That's not my concept of the competitive system in America.

I can get in the taxi business in New York City if I can plunk down $35,000 for a sticker to put on the windshield, and then buy the car after that. That's not my concept of the way the country was built.

When I drive down the highway and meet these empty trucks coming back because of prohibition of backhaul I think "holy smokes, how stupid can we be in this country anyway." When I see that a truck can haul goods from point A to point B, as long as he makes a stop at point C, but can't go there directly, then I wonder how stupid can we be in this country. The railroads have done this for years, and look at their condition. I personally feel very strongly that competition should work here. It will hurt some people obviously, but in the long run it will help the national interest. Farmers have to have transporta-

tion. In this world we are in today with 4 billion people in the world today, going to 6 billion by the end of this century, and 7 billion in 30 or 35 years, we have to recognize the United States has a unique resource in a hungry world. And that's this American Corn Belt and Great Plains area. It extends to the high plains of Texas in the south, Ohio on the east, the Rockies on the west, the Canadian border on the north. It's the world's largest continuous land mass, with fertile soil and adequate rainfall for the kind of farming we do. It has a marvelous growing climate, so you get those long periods of sunshine in July and August when the corn plant is doing its work, with land level enough to lend itself to mechanical operation. It has highly capitalized farmers, high management capacity farmers, and an infrastructure to get the job done—to deliver the fertilizer and equipment and pesticides you need, and then transport and process and distribute the grain.

Then you put this marvelous Mississippi River water system right through the middle of it. This water system puts the Twin Cities almost as close to Rotterdam as they are to Springfield, Mass. It is not quite as close, but almost as close to Rotterdam as to Springfield, Mass. This is unequaled any place on the face of the Earth. The Lord put it here, but we have learned how to use it. We've learned to use it to our advantage and to the world's advantage. We have got to keep it healthy.

I know there are productive areas elsewhere in the world. In Argentina you have the Pampas, but there's not that much of it. If you put the whole area in 10 Minnesota counties it would rattle. There's not that much of it.

I sat in Brezhnev's office in Moscow 7 years back and he was talking about the Ukraine. That's his breadbasket. He said in the Ukraine you only have 400 millimeters of rainfall a year. I don't know how much 400 millimeters is. I guess it's about 17 inches. That's his breadbasket.

I'm saying we have the breadbasket of the world right here, with that marvelous water transportation system right down the middle of it. We have got to keep it healthy. I think it has to be a number one priority for America and for the world.

Senator DURENBURGER. I take it it has been your observation that Government has come into the process first to protect the consumer, then antitrust, then theoretically to provide service by regulating rates, and so most of what Government has done since the creation of the ICC back in the late 1800's has been to put some kind of a crimp of one kind or another in the transportation system.

Mr. BUTZ. The ultimate purpose of Government regulation in most cases is to defeat the market system.

Senator DURENBURGER. Does that lead us to the conclusion that somehow we have to find our way out, or back to a competitive system?

Mr. BUTZ. Not completely out. You never get completely out in deregulation. You need something to prevent, I guess, cutthroat competition. You need something to protect consumers, although I think the market system protects consumers.

I don't think we need the Consumer Protection Agency to protect—What kind of grocery stores do you have in Saint Paul?

Senator DURENBURGER. Super Valu, Red Owl.

Mr. BUTZ. I don't need the Consumer Protection Agency to protect Super Valu from gouging me. The Red Owl provides that service. They are the most severe regulator Super Valu has. I don't need the Consumer Protection Agency to keep Sears, Roebuck from gouging me. The best regulator they have is J. C. Penney down on the corner. I don't need a Consumer Protection Agency to make sure the land crew doesn't overcharge Minnesota farmers for the herbicides for soybeans, because Dow Chemical Co. takes care of that pretty well. I don't need the Consumer Protection Agency to keep International Harvester from charging too much for the combine. John Deere provides that function very, very well in the kind of system we have, far better than Government regulators would, because Government regulators set the minimum price and in the process protect the inefficient distributor.

Senator BOSCHWITZ. I want to tell you, Mr. Secretary, how much I agree with your statement about the breadbasket of the world and that we have really been fortunate that the good Lord put our real estate in the right place and made it fertile and provided adequate grain.

As one looks at the future of American agriculture I think you have to be confident, because if you look at periods since 1975 I believe that the seed grains, world grain per person have gone down, that worldwide the population has grown at a rate faster than the production of food, so that perhaps in some future time laws such as we enacted earlier this year will have a real impact, will have an impact that will be so severe that it almost not be conscionable to impose, but I believe as you do that we have an enormous resource, the most enormous resource that the country has. We have many problems with the rail system and many problems in ongoing areas, but that basic essential resource is just not duplicated in any other part of the world, and I hope that the 1981 farm bill and my participation with it will take a long-range view toward that resource and that's my intent. That's the intent of the hearings.

Mr. BUTZ. Thank you. Let me tell you how delighted I am that two men like yourselves are on these two important committees, on the Senate Agriculture Committee and the Senate Finance Committee. I think they are the two most important committees for agriculture in the U.S. Senate. You represent a tremendous agricultural State here. I have had to go through life without the advantage of being a Gopher. It's been tough, but as a non-Minnesotan I am delighted you two are on these committees.

Senator BOSCHWITZ. I thank you, Mr. Secretary, for being with us and for spending your time with us, and I will review all your remarks in the record when I get them, and as always it's a great pleasure to be with you.

[Discussion held off the record.]

Senator BOSCHWITZ. Our next speaker is Edward Slettom, executive director of the Minnesota Association of Cooperatives.

STATEMENT OF EDWARD SLETTOM, EXECUTIVE DIRECTOR, MINNESOTA ASSOCIATION OF COOPERATIVES, ST. PAUL, MINN.

Mr. SLETTOM. Thank you, Senator Boschwitz. My name is Edward E. Slettom, executive director of the Minnesota Association of Coop-

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eratives. In behalf of the cooperatives of Minnesota and our association, which represents 445 cooperatives, I am pleased to welcome the Senate Agriculture Committee to the State which has more cooperatives than any of the other 50 States. Minnesota is also the home of Andrew J. Volstead, chief author of the famous Capper-Volstead Act, which is the Magna Carta of cooperatives. A museum honoring Mr. Volstead is located at Granite Falls, Minn.

Senator, if you are in the area of Granite Falls, I hope sometimes you may stop in there to view those exhibits.

Senator BOSCHWITZ. I would do that. I wasn't aware of that.

Mr. SLETTOM. When that act was being considered by the U.S. Congress, farmers were seeking a legal basis and authority to work together in the marketing of their production to bring about a better price situation and to have some control over their destiny. When we examine the agricultural history of this Nation, it is one of struggle to overcome market forces over which farmers have little control.

Today we are here for a similar purpose. Farmers are producing food in great abundance, but have little control over the transportation system that is supposed to serve them.

It is, therefore, gratifying to have the Senate Agriculture Committee in Minnesota to allow us the opportunity of presenting testimony concerning the impact of transportation on American agriculture. Transportation not only has an impact on agriculture but also on the entire economy of this State and Nation.

Agriculture in Minnesota is a substantial part of the State's economy. The gross farm value of Minnesota produced food in 1979 was $6.5 billion. Approximately 33 percent of our work force is either engaged directly in farming or in allied industries which process farm products or manufacture and distribute input for agricultural production.

Minnesota ranks fifth in the Nation in terms of agricultural production. Approximately 75 to 80 percent of our farm production is marketed to national and international markets. Substantial amounts of fertilizer, chemicals, and other production inputs must be transported here to bring about that production.

Minnesota is dependent on the transportation system that must be capable of transporting agricultural products great distances, since it is far removed from major export facilities. Minnesota agriculture is dependent upon all modes of transportation—rail, truck, barge, air, and pipeline—all are vital.

In considering this subject we must first recognize the impact that transportation has on individual farmers. A recent survey conducted by Pioneer Hi-Bred International and reported in the Farmer magazine of August 2 points up the losses that farmers experienced in 1978 and 1979 because they were not able to sell grain at an optimum time. Local elevators were full of grain due to a transportation shortage. Also elevators reduced bid prices to compensate for higher transportation costs. In Minnesota 30 percent of the farmers who were interviewed in the study put bid reductions at 11 to 25 cents per bushel and 17 percent put them at 26 to 40 cents. The total overall loss for the 34,760 in 16 States who responded to the survey was estimated to

be over $64 million in 1979 and $51 million in 1978. The figures do not include losses from producers not surveyed.

Transportation also impacts on the marketing and supply cooperatives which farmers own. In 1979 the Montevideo Farmers Equity elevator, for example, lost about $200,000 because rail service was not available for shipping corn to the west coast for Japanese buyers.

This is just one instance where lack of transportation has been costly. There are many more like it. This transportation lack not only affects farmers, their cooperatives, rural communities, and the economy of a State, but it also has an impact on the Nation's economy. A recent study by the University of Minnesota states that Minnesota exported $1.7 billion of agricultural products in 1979. Minnesota was the fifth leading State in overseas export sales of agricultural commodities for that year. Certainly this has an impact on our balance of trade and helps to stabilize the dollar. It is fortunate that our Minnesota farmers have the ability and capacity to produce food abundantly, but unfortunate that they have to experience inconvenience and financial loss when it comes to marketing that production, because of an inadequate transportation system.

In recent years 1,497 miles of railroad track have been abandoned in Minnesota. Two railroads serving the State are in a bankruptcy situation. One of those railroads serves a very productive agricultural region. In testimony before the Transportation Subcommittee of the U.S. Senate Commerce, Science, and Transportation Committee, our commissioner of agriculture, Mark Seetin, pointed up that 48 of the 100 counties in agricultural production in the Nation are located in the region served by that railroad.

Approximately 82 percent of the State's gross farm income in 1978 was generated from producers in that area. The area accounts for 96 percent of the State's total corn production, 98 percent of its soybean production and 70 percent of its oat production. And approximately 75 percent of this total production is exported from the State to national and international markets. Loss of this railroad will certainly have a dramatic impact on Minnesota agriculture.

Senator BOSCHWITZ. Do you know how many of those counties were exclusively served by this railroad?

Mr. SLETTOM. Well, there were 48. I really don't know how many counties were involved in that, but apparently the counties that were involved were very heavy agricultural areas.

Senator BOSCHWITZ. Pardon me. Go ahead.

Mr. SLETTOM. Coupled with inadequate rail service we have seen an increase in truck transportation. Truck volume based on a tonnage basis has almost tripled, while rail volume has remained quite constant during the 1975 through 1979 period. The greater volume of trucks has put additional strains on our roads and bridges. A substantial program of upgrading our roads and replacing bridges is needed in Minnesota. More than the usual amount of financing is needed to do the job. Present methods of financing have fallen short of needs.

About one-half of all of our grain goes to market by trucks. Rail abandonments have left many country elevators without rail service. Others receive rail service intermittently, but cannot depend on it because cars are not available. When needed most, they may not be there.

Transportation by truck is vital to our agricultural industry. We could not do without it. Answers to the problem of State and Federal support for needed roads and bridges must be forthcoming.

Through local and regional cooperatives farmers do own a considerable amount of transport vehicles, but certainly not a sufficient amount for grain hauling. Cooperative efforts in truck transportation have been successful. Recently there has been interest in exploring the possibility of establishing rail transportation cooperatives, particularly in regard to preserving branch line service. Various shipper associations have been organized, but adequate funding has been a problem. The formation of these associations indicate the willingness on the part of producers and shippers to pool their resources to meet a transportation need. I have with me today Darwin Hall, who is a director on our board and very much involved in one of these voluntary shipping associations, and if time permits and you wish, you may wish to call him later. His message would indicate what people are trying to do for themselves in trying to solve these problems.

Senator BOSCHWITZ. I would be interested in hearing that, and I just undelined that sentence, that recently there has been an interest in exploring the possibility of establishing rail transportation cooperatives, particularly in regard to preserving branch line service. I am aware people have operated short lines successfully where larger railroads have an inability to make them work.

Mr. SLETTOM. Senator we are pleased to hear that, and there is a bill that is being prepared which is under the auspices of the Cooperative League of the U.S.A. that would call for setting up a Rural Transportation Administration, which could make long-term loans available to local communities that might wish to set up a shipping association of the kind we are talking about. In fact, the report of the Rural Transportation Advisory Task Force in its report of January 1980 to the U.S. Congress takes note of rural transportation cooperatives. It recommends:

> That there be a federally assisted pilot demonstration of a "rural transportation cooperative" concept in an area where abandonment is in prospect, but for which shipper and other community commitment offer promise of making rail service viable.

We have a situation in Pelican Rapids, Minn., that concerns a line 21 miles in length, running from Fergus Falls to Pelican Rapids. This is in the final stages of abandonment. In 1978 when the railroad made its plea to the Interstate Commerce Commission for abandonment, the line was valued at $69,000. Two years later now that the shippers in that area wish to acquire that property, the price has gone to $690,000. I know we have inflation. I didn't know it was quite that bad, and these people would like to acquire the line. They would like to do it on a voluntary basis, but they feel the cost is just prohibitive.

I started my presentation by indicating the struggle farmers have with market forces over which they have little or no control. The cooperative idea offers the possibility of securing control of a transportation facility that accommodates the producer's market objective with a service that is prompt, efficient and plentiful. That is what farmers know best and practice daily.

It's been a pleasure to have been before you.

Senator BOSCHWITZ. Thank you very much. I now have a copy of the report that was mentioned earlier by Paul Stepner, and I will read that and I will gain a larger and better understanding of the problem that you have so well defined. I thank you very much.

We have Ralph Avery next of the Minnesota Railroad Association. He also is assistant vice president for marketing with Burlington Northern, and I am looking forward with interest to your testitmony, and again thank you very much for waiting.

Mr. AVERY. Thank you, Mr. Chairman.

STATEMENT OF RALPH O. AVERY, ASSISTANT VICE PRESIDENT, PRICING, BURLINGTON NORTHERN, INC., ST. PAUL, MINN.

Mr. Chairman, my name is Ralph O. Avery. I am assistant vice president, pricing, Burlington Northern, Inc., and I'm appearing here today on behalf of the Minnesota Railroads Association. I have with me Mr. Gordon Forbes, who is the executive director of that association.

The Minnesota Railroads Association appreciates the invitation to appear before you and present its views on transportation issues and their impact on Minnesota agriculture. The Minnesota Railroads Association is comprised of common carrier railroads operating within the State of Minnesota. In the 1978 calendar year these carriers had total railway operating revenues of in excess of $4.1 billion, 13.3 percent or approximately $559 million of which is attributable to Minnesota. During that year the average annual number of employees for the systems was 98,230, 16.2 percent or 15,952 of which were employed in Minnesota. In this State these carriers operated approximately 11,077 miles of track. Revenue ton miles of freight for our members totaled in excess of 193 billion in 1978, 12 percent or approximately 23 billion attributable to Minnesota.

The financial help and viability of these lines is wedded to the agricultural economy of our country. Minnesota with production of 40.5 billion bushels of barley, 606 million bushels of corn, 84.9 million bushels of oats, 2.2 million bushels of rye, 90.3 million bushels of wheat, 2.2 million bushels of flax, and 167.3 million bushels of soybeans is a very important segment of that economy. The value of this production to producers, other segments of agribusiness, and the State of Minnesota depends to a large extent on the availability of a healthy rail transportation system.

There is unanimity among shippers, carriers, legislatures, and the public at large that the Nation and Minnesota need a healthy rail transportation system. The question arises what is needed to provide this system. The answer is money. Railroads need money. Money to purchase cars and locomotives. Money to rehabilitate branch lines and upgrade main lines to better handle increasing volumes of traffic, which will in turn generate the funds necessary to maintain sound rail systems in the private sector.

It is no secret that the industry does not have the capital necessary to achieve this goal. It is also no secret that due to their poor earnings record many of them cannot finance these projects in today's money market. It is my view that the sad financial plight of the industry

is due primarily to external forces. Chief among these forces are the laws governing transportation, including economic regulation, both State and Federal. Among the latter we would cite regulations governing railroad pricings, mergers, abandonment or disinvestments, and equipment distribution. It is also my view this need for vast sums of money would be satisfied by the industry itself, if the Congress and State legislature would recognize these causes and then take immediate action to remove laws which discriminate against rail transportation. They should provide only that regulation which is consistent with the market competitive environment of the eighties. I will be specific.

We need user charges on our highways and waterways sufficient to cover the costs of producing and maintaining these transportation arteries apportioned by use. Simply stated, the user should pay. It makes no economic sense that one segment of the transportation industry which pays 100 percent of the cost of producing and maintaining its right-of-way should have its tax dollars used to provide right-of-ways for competitors which pay none or only a small part of the costs of providing that right-of-way.

We need uniformity in rate regulation standards and procedures used by State authority in exercising jurisdiction over intrastate rates and that used by the Interstate Commerce Commission in exercising authority over interstate rates. Failure of some of the States to act in a timely manner or general increase applications approved by the Interstate Commerce Commission has resulted in a severe drain on the Nation's rail carrier revenues and a burden on the interstate commerce, particularly in these times of double digit inflation. These continuing failures by the States to recognize that railroads cannot subsidize local sectors are leaving the Congress no choice but to preempt their jurisdiction. The practice of some State authorities to withhold approval of cost-based increases which have been justified before and approved by the Interstate Commerce Commission must be rectified by Federal law. Otherwise there is not relief from the inequitable distribution of resultant costs among other shippers and, of course, to great financial disadvantage of the rail carriers.

The continuance of adequate service on low density lines, particularly branch lines, rightfully has been of grave concern in Minnesota and throughout the Nation. A number of solutions have been offered, most of which requires the expenditure of vast amounts of public moneys. It has been said, and we agree, that the economic impact, like the economic feasibility of branch line rail service, is bound to vary from situation to situation, community to community, according to the specific circumstances and the traffic needs involved. We therefore feel that broad programs to keep intact a rail plant at a level established 100 years ago, are unworkable and not in the public interest. We support soundly conceived viable projects tailored to a specific situation.

To the extent that public interest may require the operation on uneconomic lines or services, then the public should pay those costs. We suggest, however, that the public interest in the maintenance of marginal operations is more perceived than real. In most instances these services are not self-supporting, because the public has turned

to other transport modes or because they no longer meet a real need because of economics or other changes in the local industrial or agricultural base. Thus I suggest that when severe hardship for one or a few shippers would be caused by the abandonment of an operation, this consideration ought to be given to a public commitment to deal with their problems by cushioning the transition to other service. It would be far less expensive and much more effective to pay these costs for a time than it would be to subsidize and sometimes rehabilitate a rail branch line which may no longer have an economic reason for existing.

Broad programs of State and Federal assistance have the potential of creating several serious problems. It encourages uneconomic political decisions, encourages financial irresponsibility, encourages decisions based on false economics, and interferes with economic allocation of traffic.

I have previously stated that economic regulation both State and Federal is the main cause of the present plight of the rail industry. Over the past couple of years economic regulation of transportation has received considerable attention of legislators, regulators, academicians and the shipping public. Rail deregulation bills have been introduced, but as of this date it is the status quo. H.R. 7235, the Harley O. Staggers Rail Act of 1980, which has received the consideration of a number of committees and subcommittees over the last several months has become nothing more than a scheme of reregulation rather than reform. The bill would replace existing law with new poorly defined, untested, and restrictive ratemaking standards. It is unworkable from the technical standpoint because of its hastily adopted new definitions and its failure to establish rate of return standards. Its reliance on cost-based ratemaking is misconceived and misunderstands the importance of differential pricing to the shipping public. The phaseout and elimination of general increases will alone be disasterous for railroads in this inflationary period.

The restrictions on rate bureau's activities fails to recognize the need for joint action by the railroads if the public is to have workable interline service. Railroads derive 70 percent of their gross revenues from interline movement. These movements are priced almost exclusively by single factor joint rates. To the extent the joint rates involve two competing railroads they must have immunity to discuss and agree on a joint rate and on the conditions of transportation which are part of the contract with the shipper. Some of these conditions are contained in rules section of the tariff. All of those agreements allow both competing and noncompeting carriers to function as a system. A single factor rate is desirable because the shipper can readily determine his transportation charges.

I would like to mention here that there may have been some misunderstanding earlier this morning when Mr. Stepner made his presentation and the chairman asked him a question about demand-sensitive rates. I believe Mr. Stepner responded that in the Senate bill demand-sensitive rates were exempted. That's S. 1946, but in the House bill they were not exempted, or the other way around. The facts are in section 111 of S. 1946, which would allow for demand-sensitive

rates published in advance except on grain, soybeans, and cotton, almost the identical wording is found in the so-called Harley O. Staggers bill, and I was told yesterday afternoon, and we learned that through the progress of negotiation over that bill, that demand-sensitive rates would be eliminated. We support demand-sensitive rates, and we firmly believe that grain and grain products should be included in there.

Many small railroads operate as connecting carriers on overhead routes—bridge carriers. The present system of joint ratemaking permits the carriers to participate and compete. If the system is changed the bridge carriers face large potential traffic loss, because many of the routes will become noncompetitive.

The present system in my view is highly beneficial to the small railroads. If changed they will suffer relatively greater damage than the major railroads. But it is the interconnected railroad system that the present joint rate procedure fosters and preserves.

We would point out that while Congress is considering the matter of rate bureaus in H.R. 7235 the Interstate Commerce Commission has entered a decision in section 5b, application No. 2, served August 13, which would place even further restrictions on rate bureaus. In my view, absent action by Congress the decision of the Interstate Commerce Commission will render rate bureaus obsolete, to the detriment of both carriers and shippers. I would suggest that your committee examine the rate bureau provision of S. 1946 enacted earlier this year, which is more in tune with rail transportation needs of the shipping public.

Thank you once again for the opportunity of appearing before your committee.

Senator Boschwitz. Would either you or Gordy expand on the ICC decision? I am not familiar with that. Apparently it is very recent.

Mr. Avery. Yes. I would be glad to, Mr. Chairman. Since 1948 the carriers have been making joint rates and single-line rates under what is known as a 5b agreement. That's an agreement made public, filed with the Interstate Commerce Commission under section 5 of the Interstate Commerce Act. It came about in 1948 after investigation of the Justice Department into the ratemaking procedures of the various railroads, so it has been the law of the land since 1948 that carriers could sit together in these bureaus and establish joint rates or single-line rates with immunity from the antitrust laws.

Under the 4–R Act the Commission was asked to look into this again. The carriers had to file new and revised agreements. Since 1971 the new agreements have been in litigation before the Interstate Commerce Commission. That's the case the Commission just decided, where they to all intents and purposes would make rate bureau activities obsolete. Now S. 1946 addresses itself to the rate bureau problems; so does the Harley O. Staggers bill address itself to that feature, but the Commission without the benefit of congressional advice or consent has now decided in its infinite wisdom that rate bureau activity is a no-no.

Senator Boschwitz. We did that on a Senate bill just on the single-line rate.

Mr. Avery. That's correct.

Senator BOSCHWITZ. Earlier today there was also a good deal of talk about surplus cars, that you are not reaching agreements with some of the owners. I presume there is a per diem when they are used. That's what the owners want to recover.

Mr. AVERY. Mr. Chairman, there is a procedure within the railroad industry when a shipper wants to bring a private car on a line he makes application with the Association of American Railroads, who passes that along to the individual carrier where he wants to use the equipment. That is known as O–T5 agreement. That permits that shipper to load that car at origins on railroads A, B, and C, whatever carriers were included in that application. Railways under a mileage tariff pay him so many cents per mile loading on the load. Up until probably May of this year there was a shortage of covered hopper cars for the transportation of grain, more perceived than real however, and June or July, suddenly many of the carriers found themselves with several thousand covered hopper cars that they recently paid $42,000 each for sitting on side. I think they decided some of them—at least I can speak for Burlington Northern—they decided the best way to handle the problem is to make an agreement with the shippers that own the cars that we would load one for one. In other words, if you order two cars you can load one of your own and load one railroad car, which we thought was rather equitable.

Senator BOSCHWITZ. How many cars does the railroad own and how many privately owned?

Mr. AVERY. Well, there are more railroad cars than private cars. I couldn't give you an exact number, but on Burlington Northern there are something like 18,000 covered hopper cars and probably O–T5 agreements for a couple thousand, to which we will add another thousand in the year 1981.

Senator BOSCHWITZ. You or they?

Mr. AVERY. We.

Senator BOSCHWITZ. We'll have to talk about surplus cars some other time.

Mr. AVERY. I might point out, Mr. Chairman, that that's not a problem today.

Senator BOSCHWITZ. Do you have any opinion of Senator Durenburger's bill, the refundable tax credit?

Mr. AVERY. I am not that familiar with the bill, but from listening to the Senator this morning I believe that not only my company but the Minnesota Railroads Association could support it.

Senator BOSCHWITZ. Thank you, gentlemen.

[Discussion held off the record.]

Senator BOSCHWITZ. The next witness will be Robert M. Johnson.

STATEMENT OF ROBERT M. JOHNSON, EXECUTIVE DIRECTOR, MINNESOTA GOOD ROADS, INC., MINNEAPOLIS, MINN.

Mr. JOHNSON. My name is Robert M. Johnson. I am the executive director of Minnesota Good Roads, a statewide organization of individuals, businesses, county and city governments, and labor unions, with a single purpose: An adequate road transportation system for Minnesota. On a national basis, Minnesota Good Roads is affiliated

with the Better Roads and Transportation Council, a national organization of highway and transportation betterment groups.

I would like to take this opportunity, Senator Boschwitz, to thank you for bringing this committee to Minnesota. We appreciate the opportunity.

Senator BOSCHWITZ. You have been down to see me.

Mr. JOHNSON. We'll be there again.

Senator BOSCHWITZ. In February.

Mr. JOHNSON. Yes.

I have chart that goes through the number of miles of road.

	Miles of road
State trunk highways	12,183
County State aid roads	29,929
Other county roads	15,130
Municipal State aid streets	1,672
Other municipal streets	12,542
Township roads	54,805
Park and forest roads, etc	2,778
All roads and streets in Minnesota	129,039

Of these miles of road, the county state aid, other county roads and township roads, which total over 99,000 miles of the 129,000 mile system, serve rural Minnesota.

Senator BOSCHWITZ. That's all paved?

Mr. JOHNSON. No. Very few of them.

To describe what has happened, I think we have to look into that history of rural Minnesota since World War II.

In 1946–47 there were 7,606 school districts in Minnesota and schoolbuses were restricted to 48 passengers, unless the county board of commissioners approved a larger bus to use on selected routes. There was a creamery in every small town in the State. In fact, it was just during this time that the majority of Minnesota dairy farmers started shipping whole milk to the creamery rather than skimming off the cream and feeding the skim milk to the hogs. Farms began to increase in size, the binder first pulled by horses and then adapted to be pulled by old steel-wheeled tractors, and the threshing machine and its crew of horsedrawn bundle wagons, gave way to the combine and the truck. Instead of the farmer hauling cream to town in a 5-gallon can or whole milk in 8 and 10 gallon cans to the local creamery near the farm, the dairy farmer adopted bulk milk handling procedures and this milk was shipped to creameries anywhere from 10 to 100 miles away.

The farmer then began to use commercial fertilizer in large quantities, threby increasing yields of farm commodities. These changes, creating a burden on local roads, all have taken place since World War II.

Now let's look at a part of our agricultural economy that really hasn't changed a whole lot since World War II, and that is the truly farm-to-market road. Some people call them collectors, some call them service roads. They are the over 99,000 miles of road that are dependent almost completely on the real estate or property tax to construct and maintain.

The period of 1956 to 1958 gave us the cry for paved roads. In 1946 there were very few miles of rural roads paved outside the trunk high-

way system. The standard design at that time was for a 4-ton road. This would accommodate the 1½-ton truck the farmer used to haul his grain to the closed-in grain elevator, the milk truck, or the small schoolbus.

In the mid-1960's the design of these roads went from 4 to 5 tons, and by this time this 5-ton design still did not accommodate the farmer's 2½-ton truck, the bulk milk truck, or the 78-passenger schoolbus.

In 1970 the design standards were increased to provide 7-ton axle on all new construction. The number of school districts had declined to 446 due to a law passed in 1967 that all school districts had to provide a 12-year program. Obviously the number and size of schoolbuses had to increase.

Now in 1980 we still are building that 7-ton roadway. In fact, we still have 77,000 miles that carry only up to 7 tons per axle.

The trucks are getting bigger, the schoolbuses are getting larger, the number of miles driven on these roads with heavy vehicles is increasing, and the ability to finance the road improvement is being reduced.

Farmers driving large 6- and 8-row combines cannot get over small narrow bridges. I know of one farmer who had to reduce the number he was pulling just because he couldn't get through a lot of narrow roads and narrow bridges.

We must give some credit to the passage of the 1978 Highway Act, in that there were many millions of dollars for the replacement of obsolete bridges on some of the off-system roads. But this alone will not solve the problem.

Question. Would it be possible for Congress to appropriate money to the Department of Agriculture through the ASC offices, in grant form to be used to rebuild and upgrade these truly farm-to-market roads? These are really part of the agricultural plan.

Senator BOSCHWITZ. You are the second fellow this morning to testify about putting some of the Department of Transportation into the Department of Agriculture. A lot of blood will be on the floor to try to take something out of one bureaucracy. It's nevertheless an interesting concept.

Mr. JOHNSON. Senator Boschwitz, in these local roads, the township roads and county off-system roads actually they are still smaller collector roads and the engineering expertise you need on higher traffic counts is not needed here, but we still need the dollars to upgrade them. That's the thing I am talking about. There has to be a distinction made.

Senator BOSCHWITZ. It would be certainly much more efficient and quick, I agree.

Mr. JOHNSON. Local units of government, counties, are limited in their ability to rebuild and upgrade roads because of levy restrictions imposed by the State legislature. Townships and counties are also limited in that most of the dollars to make these major improvements must come from real estate tax, the only taxing source they have.

I have talked about our local farm-to-market roads, but our State trunk highway system is suffering from the same problems. Minnesota has been spending about $200 million per year for construction and maintenance of its road transportation. Inflation in 1979 ran at the rate of 10 percent. This wiped about $40 million of road construc-

tion and maintenance buying power. Minnesota's Legislature increased the gas tax by 2 cents per gallon in 1980 and this netted the trunk highway system about $28 million. But even with this increase in gas tax the Minnesota Department of Transportation still suffered a net loss in buying power of about $12 million.

Meanwhile, the Federal Government cut back and reallocated moneys destined for the State, and this obviously compounded the problem.

Because of the increased use of our road system, the roadbeds are deteriorating at a much faster rate than has been anticipated. Without a tremendous amount of new highway maintenance and reconstruction dollars we are in danger here in Minnesota of losing our $16 billion investment.

There has been an excellent partnership between the Federal, State, and local governments through the Federal highway program. But this partnership has begun to break down because of redtape, environmental restrictions, and bureaucratic bungling over these past few years. In fact, Mr. Downey, assistant to Secretary Goldsmith said recently there are 60 different Federal statutes that are involved encumbering the roadbuilding process. A congressional reexamination of this impact is much overdue. Seven years of public hearings, environmental impact statements, preliminary design, intermediate design, final design, more public hearings, more approvals from every type of government agency is too long to wait for some of those badly needed road improvements. Think of the added costs just due to inflation.

In order to develop an adequate system of farm-to-market roads, this Federal, State, local government partnership must be continued and strengthened, minimizing the amount of redtape and speeding up the approval system. The road systems must be brought into the eighties; we have been in the forties too long.

Minnesota Good Roads recommends that we continue to fund the roads, streets, and highways on a user fee basis and we will support proposals to increase the user fees to meet the needs.

Mr. Chairman, I want to thank you for the opportunity to appear before you.

Senator BOSCHWITZ. As you said, it was testimony that creates some balance in this morning's hearing in regard to transportation systems. It was very clear and very straightforward and your addition there wasn't in your prepared testimony on the 60 laws encumbering the production of new roadways was an interesting one. As you develop more about that I would like to have it, if you would get in touch with Randy or I.

Our final witness is Ralph Prescher of the legislative committee of the Soybean Growers Association. Sorry you had to wait so long.

STATEMENT OF RALPH PRESCHER, CHAIRMAN, LEGISLATIVE COMMITTEE, MINNESOTA SOYBEAN GROWERS ASSOCIATION, DELAVAN, MINN.

Mr. PRESCHER. I would like to preface my remarks here today by saying it really was refreshing to hear Earl Butz relate to agriculture as he does. He truly understands how the farming industry in this country operates.

Senator BOSCHWITZ. You know, he's a lot of fun to have around. After you go down to Washington and talk to some of these bureaucrats and then here comes Earl Butz—boy, I tell you that you get a sense that this guy is a little different and much more straightforward and not quite as guarded as most of the people that I met in Washington. His lack of being guarded sometimes causes him a little trouble, but I must say in the overall I would like to see more of that down there.

Mr. PRESCHER. Truly, he tells it like it is.

Senator BOSCHWITZ. Yes.

Mr. PRESCHER. My remarks here and prepared statement are rather short and I would like to in a couple of instances expand.

Mr. Chairman, my name is Ralph Prescher, and I appear here today in my capacity as the chairman of the legislative committee of the Minnesota Soybean Growers Association. I am a farmer and I live near Delavan, Minn., where I raise soybeans, corn, and hogs.

Minnesota ranks fourth nationwide in soybean production. Soybeans are the State's No. 1 cash crop with a share of 16.2 percent of the total cash receipts by farmers of this State, second only to the dairy industry.

The Minnesota Soybean Growers Association is a nonprofit voluntary, single commodity association organized to assure a profitable soybean industry.

Senator BOSCHWITZ. You have done a great deal to bring about that success.

Mr. PRESCHER. Thank you.

The Minnesota Soybean Growers Association recognizes the importance of each faction of transportation to the soybean industry in this State.

We Minnesota soybean growers are aware of the complex nature of all modes of transportation and their impact on the economy of the State. This interrelation was best expressed during the miller's strike at the Port of Duluth last fall. Since the outlet via Great Lakes was closed, other modes of transportation could simply not pick up the additional volume of commodities to be moved. I would like to expand a little on that. Senator Durenberger and Mr. Slettom talked about the economic impact on the farmer of transportation and when there is a malfunction or stoppage of some system in our transportation whole network, when one of these areas breaks down, then it just points out the fact that the rest of the system can't handle the volume, and last summer when we had the truckers' strike and the strike in Duluth, whether it's a strike or whatever, shuts one area down, then the backlog came down through the country elevators and depressed the price. My particular elevator in Delavan—we were out of the market for 5 weeks—had no market whatsoever. The elevator was full, the terminals were full, and actually there was no market available in many areas of the State, and the figures that have been compiled on the impact of this total picture for Minnesota, and both Dakotas and Montana was quite staggering. Some figures predict up to $1½ billion lost because of lost markets and depressed prices, and the interrelationship.

I guess, keeping this in mind, projections are that in less than 10 years we will be reaching a complete saturation point of all modes of transportation for moving Minnesota agricultural commodities to the market. We hope that the projected increase in production and exports does not create a self-imposed embargo on the American agriculture. Therefore, we would like to point out some problems facing our transportation industry which I feel should receive highest priority, and I guess these are just to reaffirm what was said this morning where we see the problem.

The Minnesota Soybean Growers Association supports the construction of the second chamber of the lock and dam No. 26 at Alton, Ill.

Senator BOSCHWITZ. The second chamber being built or another?

Mr. PRESCHER. No. The first chamber is being built. Mr. Lambert talked this morning about the second chamber, and we strongly feel this has to be added when we look at the increase in traffic down the river. Mr. Lambert also mentioned the fact that the figure of $40 million—well, a lot of figures are used. The $40 million figure of the backup in barge industry from the bottleneck at Alton reflects directly on the price that I and my neighbors receive for the commodities, because the pass the costs back, because their freight bill is higher and so we ultimately get less for our commodities.

Our growing markets in East Asia command that some more thought be given to westward railroad shipment of our commodities, via west coast points. Therefore, railroad main line abandonment should be carefully examined, keeping in mind the need for an increased volume of westward agriculture commodities shipment. I guess the Japanese now have bought two terminals on the west coast, and I think they foresee some of the problems of moving commodities out of the Midwest, so two large firms from Japan have bought terminals on the west coast and looking for pickup in westward traffic of farm commodities, because of the buildup on the river system, and rail system going south.

Senator BOSCHWITZ. Where are those two?

Ms. PRESCHER. Senator, I am not certain. I think they are in the Seattle area, but I am not certain of that. At least, the word we got back is they bought two facilities out there.

The heavy load that we have imposed on our roads threatens us with a situation of deterioration of this mode of transportation in the similar way as it happened with the railroads. Therefore, we encouraged increased Government appropriations toward maintenance and upgrading our highways.

The soybean growers feel the need of solving the problem of moving agricultural commodities from our area to the consuming market by developing coordinated long-range intermodal plans—on a cooperating basis—for all modes of transportation as complementary factors rather than competing entities.

Senator, that's all I have and I thank you for the opportunity of appearing here and expressing our views.

Senator BOSCHWITZ. Thank you, Ralph. I appreciate it and your statement has been quite clear. As I said a little earlier I have been an admirer of the Soybean Association and how they have reached out in creating new markets, and done so privately.

There has been a good deal of testimony this morning about the use of Federal funds, and Bob Johnson before you agree that we should encourage increased Government appropriation toward maintenance and upgrading of our highways, as you said.

I find hard to approach the business of the Senate from the standpoint of trying to see that appropriations do go to the productive side of our economic structure and not the nonproductive side, the side where many censors are involved. As Mr. Butz mentioned there are many disincentives to work. Not that I or anybody else, or certainly the tradition of Minnesota is very much in accord with the warm feeling of helping those people that can't help themselves, but I really do believe that you are right in the sense that more productive facilities have to be sought after and helped, and though I prefer that help coming from the private sector, by and large in transportation historically that wouldn't have gotten done. Just as in agricultural research, there is a long tradition of Government involvement that has been enormously productive, so I thank you very much and I thank the others. If there are other people who are here in the room who wish to make a statement or file a statement or wish to receive a copy of the testimony this morning, then please let us know. Come forward, and hearing nobody else——

Mr. HALL. I would like a few words.

Senator BOSCHWITZ. Sure.

STATEMENT OF DARWIN HALL, CHAIRMAN, CORN BELT SHIPPERS ASSOCIATION, WINNEBAGO, MINN.

Mr. HALL. I'm Darwin Hall, a retired farmer from southern Minnesota. I am chairman of the Corn Belt Shippers Association, a group formed down there to upgrade the railroad, Milwaukee Railroad to be abandoned from Winnebago to Jackson. To start with I would like to make a suggestion or two. Then I want to make two or three comments on some of the remarks that have been made here. I want to commend each of these people that have been here on this platform to give their presentation. It has been very beneficial and has been good and very direct, but to start with, Mr. Senator, I want to make a suggestion, and this is from experiences that we have had in the last 2 years. A committee of this type, hearing of this type occasionally should be held right down in the area where there is direct concern. Of course, this of yours today is statewide. Ours is just area, but we have had a few wonderful meetings in our area in the last year or two with the Minnesota Senate Transportation Committee, and Senator Durenberger has been down and visited with us directly, and his aide John Riley has been in the area when we have had meetings on the rebuilding of the Milwaukee. It has been beneficial to them and to us to have the meetings in our area.

One remark I—well, I didn't prepare a thing. I took a few notes, because Ed and a couple of other gentlemen suggested I say a word or two. Paul Stepner of Pillsbury gave a very good report. He was very sincere in his beliefs in how they are supporting all these projects, but for your information Pillsbury Co. has two elevators along this proposed line and they have not put 1 red cent into upbuilding the Milwaukee Road, where other users are participating.

Mr. Springrose mentioned a lack of proper facility for the unloading at the gulf, and also on the congestion at Kansas City and other rail terminals where the trains have to go through there and get delayed. Right now the Milwaukee is working on a program whereby they will guarantee 14 days turnaround bypassing the rail terminals at Kansas City and other places that were mentioned and going directly to the gulf, and they cannot be over 50 units per train, but they will guarantee 14-day turnaround, because these facilities where they will go have the facility to handle 50-unit trains and keep them together without breaking them up. That's where the trouble comes. We as people that are doing this are finding out all these things the hard way.

Jerry Fruin made the remark——

Senator BOSCHWITZ. Are you disagreeing with Mr. Springrose?

Mr. HALL. No; I am not disagreeing with him. He is right 100 percent, but we have to bypass these rail terminals like Kansas City, and that's what Milwaukee is trying to do on one contract where they reroute it by bypassing the terminals, so that the trains won't get delayed there or else get passthrough permits. They are working on this. Hopefully it will come through to us. That will darn near double our capacity to move grain on a 14-day turnaround, versus 26 to 29 they now have.

Senator BOSCHWITZ. Is a 50-unit train normal?

Mr. HALL. Well, we have special rates now on 50-unit trains and they can be picked up at 4 different points along this area. That gives us competitiveness with the biggies, as we call them, the Pillsburys, Cargills, and Continentals, so the local elevators can bid and be competitive, and also if they are on this line which Cargill and Pillsbury are they can also use the 50-car rate. They can pick up 25 units in one station, 10, 10, and 5 in 3 units and have a 50-unit train. That's the way we have these rates that go into effect the first of the week, I think.

Senator BOSCHWITZ. How many pickups?

Mr. HALL. Four on a 50 unit, 6 on a 75. As yet the 75 is not feasible, because of unloading.

Senator BOSCHWITZ. At the other end?

Mr. HALL. Right.

Jerry Fruin mentioned about the needing of funds to help upgrade the roads. I want to make a suggestion. I made it to two of my local State representatives and also to my U.S. Congressman and I didn't get anywhere, but that's nothing I have pushed that hard.

By taxing diesel fuel a higher rate you can get a lot more money. Diesels are a lot more economical to operate. Practically all the heavy diesel trucks on the road, and the overweight diesels, which they all are, 90 percent of them run overweight for grain trucks—well, I don't know about the others, but 90 percent of them probably run overweight, and therefore if we could increase the diesel fuel tax there would be a lot more revenue coming in for the road.

Senator BOSCHWITZ. The diesel fuel tax now is what?

Mr. HALL. Four, isn't it, in the State?

Mr. JOHNSON. Diesel fuel tax is the same as automobile tax, which is 11 cents a gallon.

Mr. HALL. Oh, it is four Federal?

Mr. JOHNSON. Iowa does have a differential of 1½ cents a gallon for diesel fuel, but Minnesota doesn't.

Senator BOSCHWITZ. You mean 1½ cents higher?

Mr. JOHNSON. Yes.

Mr. HALL. If we could get that on a Federal level it would help like thunder to maintain our Federal system, also.

Senator BOSCHWITZ. Next time the truckers come in, the independent truckers come in I am going to send them to you.

Mr. HALL. Send them right back to me, because if they get a raise in their cost of fuel it will be passed back to each and every consumer throughout the country, not just me, but you, and you. Every person here.

Senator BOSCHWITZ. In theory that is true, but they say they suffer the same way the farmer does. They don't have large enough control of their marketplace.

Mr. HALL. I realize that. I owned three semis in the past. I don't now, thank goodness.

Then I want to mention that—well, about the lock and dam. Some of us people feel it would be possible to speed up the building of lock and dam 26 at Alton, Ill. Any time you deal with the Corps of Engineers or Federal engineers, and I have had personal experience on a much smaller scale, it's time consuming and very costly. We think some private people could get in there under private contract and help speed up that facility tremendously.

Senator BOSCHWITZ. I will look into that.

Mr. HALL. This is just my personal opinion.

Senator BOSCHWITZ. It's mine too, having dealt with the corps, and God bless them, but they have been studying the Red River Valley, and drainage and flooding and it takes away so much of the top soil and so many other problems—I forget what it is, 23 years or 73 years, but a long, long time, a hell of a long time.

Mr. HALL. That's right. I am aware of this from other things I have gotten. I also want to mention today we have a man here Bob Zelinka from region 9. I don't know what you call the regions. He has worked with our two groups in southern Minnesota, the Pioneer Land & Corn Belt Shippers Association on the rebuilding and upgrading of the Milwaukee Railroad, and between these two associations and Bob of region 9 we are now getting ready to prepare a report on the history and progress of our association, what we are doing and how it is working, and we have living proof down there that this rebuilding of the Milwaukee is working.

Just another remark or two. Mr. Butz mentioned about the inflation. Well, I have a couple of inflation stories. Quickly I will tell you one. Inflation to the farmer. I have a gripe about this, also. In 1974 I purchased a combine that when I ordered it the price was $38,000. When it was delivered the next summer the price was $48,000. Today 7 years later if I ordered the combine, the same one, and I would admit it will have a few more buttons to push, electronic controls and all that, but my price would be $108,000. There is a 200-percent raise in 7 years.

The Government steps in on the automobile industry and tries to regulate what they can charge for their products. Why don't they do something with the farm machinery industry. A raise like that is so

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exorbitant I don't see how they can even charge it, but they do. This is list prices I am quoting.

Senator BOSCHWITZ. We are not aware they are regulating the price of automobiles.

Mr. HALL. Oh, they are not regulating them, but there is always somebody stepping in and saying the Government only wants to raise it so much, so we are asking a little more.

Senator BOSCHWITZ. Oh, from that standpoint.

Mr. HALL. I'm sorry. I didn't prepare something because I wasn't planning to talk.

Senator BOSCHWITZ. No. That's all right. You're doing great.

Mr. HALL. That takes care of that. Then one more remark or two. Oh, yes.

Now we are in the process of organizing a State rail planning association, and Jim Springer from Austin will be the head. He and Pudge Bottomly, who has done the major amount of work in southern Minnesota on the renovation of the Milwaukee Railroad are getting this started and I assume Jim Springer will head up the group. He was elected at the meeting we had about 2 weeks ago to become president of this association.

As to you, Mr. Johnson, you mentioned about the narrow bridges on these highways. I have occasion where I have to go 8 miles further than I should to get to a farm that we rent, just to get my eight row equipment through. Because of the narrow bridges I have to go 8 miles out of the way.

[Discussion held off the record.]

Mr. HALL. I mentioned about going around the bridges. Oh, yes.

Another thing I would like to bring up is a little different situation.

We have this Federal usage tax on all trucks over 13,000 pounds. Practically every farmer with a tandem truck has to pay Federal usage tax, and on our farm we have five trucks. Three of them are tandems we have to pay this Federal usage tax on. The five trucks average 8,000 miles a year for the 5 of them and it costs me $270 a year Federal usage tax to maintain those trucks to haul my produce from the fields to the corn dryer and from the corn dryer 10 miles to my elevator.

Senator BOSCHWITZ. Is that money used——

Mr. HALL. That's for the Federal Highway System. Part of the Federal Highway Fund.

That's something else I dislike tremendously, and I have done a little work on that, but haven't got anywhere. That mileage basically is on township roads. Probably 1,000 miles of it is field. Usually on the fields. The only time the trucks are used on the farm any more is for harvest, for a 1-month period. The rest of the time they are sitting in the shed, but we have to pay the $270 Federal tax.

Outside of that I don't think I have much more to comment on. If you want to ask me questions about what we are doing down there I would be glad to try to answer that, Mr. Senator.

Senator BOSCHWITZ. No. I will be down there, too, in the course of events. I was down in your neck of the woods with trucks in Worthington. Dave has taken a specific interest through his Finance Committee on the railroad, and as a result I know has been throughout the State.

which I certainly commend him for, and I have been around for other purposes.

We have picked this opportunity here, because this is a good spot where people come this time of the year, the State fair.

Mr. HALL. I would like to make one more comment, if I may. We appreciate Dave coming down there. He has done a lot of good for us by coming down and it has been very helpful and beneficial for him, because he got information firsthand, and the work he has done, region 9 has done for us and the two of us old retired farmers, Pudge Bottomly on the one end, and me from Winnebago to Jackson area, the Corn Belt shippers—we are the same age and grew up together, both working for the same purpose, one on one side of town and one on the other side.

With that I want to thank you for this opportunity. I am very appreciative of the fact you came here to have this hearing.

Senator BOSCHWITZ. We thank you for coming.

Unless we have somebody else, this hearing is recessed.

[Whereupon, the committee recessed, to reconvene Saturday, August 30, 1980, at 8 a.m., at the Machinery Park State Fairgrounds, St. Paul, Minn.]

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1981 FARM LEGISLATION

SATURDAY, AUGUST 30, 1980

U.S. SENATE,
COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY,
St. Paul, Minn.

The committee met, pursuant to notice, at 8 a.m., at the Machinery Park State Fairgrounds, Hon. Rudy Boschwitz, presiding.

Present: Senator Boschwitz.

STATEMENT OF HON. RUDY BOSCHWITZ, A U.S. SENATOR FROM MINNESOTA

Senator BOSCHWITZ. Ladies and gentlemen, let's get started. Now, if we're ready to go. And this is a—we feel, a little bit a long ways away from you here. We have been holding these hearings over at the Earle Brown Building on the other side of the farm campus and it's—we wanted to hold them outside one day. It's not going to rain, so that you need have no fear about that, but just to be sure, I think we'll get going.

We have seven panels this morning and we'll get all the panels—we'll get each panel up in its entirety and we will—we figure we have about 20 minutes per panel. Do we have a timer here this morning?

Mr. RUSSELL. No, we don't.

Senator BOSCHWITZ. OK. We'll keep the time up here.

Now, that's something I didn't figure on. You take all that down? She'll have to clean up the record.

In the Senate when the stenographers take notes—and you'll see this young lady goes on for a couple of hours here uninterrupted. If you run out of paper, just tell us and we'll stop for a few minutes. But, in the Senate they do it 10 minutes at a time, each one of the stenographers, and then they switch, and somehow out in the field the stenographers keep going at great length.

Let me just make a short opening statement about this morning's hearing then we'll get going. We'll officially start it off.

I want to welcome everybody, and this is the third day of hearings by the Senate Agriculture Committee looking forward to the 1981 farm bill. The 1977 farm bill, as you know, has an authorization period that's going to expire this coming year and we want to put up a new farm bill. Incidentally, our first panel is the dairy panel, and Cliff Markuson, Donald Slinden, and Cliff Schumacher, if you guys want to come forward and just sit up here. Seems to be a fourth person. OK. Fine.

But in any case, the reason for our hearings is that we want to get a feeling of the 1981 farm bill. A lot of people have asked me, the press, particularly, why are you doing this? If you look at the composition of the Agriculture Committee, you'll see that the chairman is from Georgia and that, very interested in peanuts, cotton, tobacco, things like that. It's interesting to note that the cash rent of an acre of tobacco allotment is $600 a year. So they've done pretty well for their folks down there. And that there's not as many people who are interested in dairy and feed grains and the kind of cattle operations that we have here in the upper Midwest. There are more Senators now, but we're all at the other end of the table, essentially, with the exception of Senator Young who is leaving unfortunately, but he's been there for 30 odd years.

The first four panels are going to consist of representatives from the livestock sector this morning, including panels on cattle, hogs, poultry, and dairy. The first panel is our dairy panel, and the last three panels are special youth panels consisting of students from the different University of Minnesota campuses, members of the Minnesota 4–H, members of the Future Farmers of America.

Last fall the Secretary of Agriculture conducted a series of farm meetings across the country to analyze the impact of our past farm programs and what the impact that they've had on the current farm structure. I think that our purpose is somewhat different. We really want to look ahead at the present time, rather than looking at it from a historical perspective; though, I encourage you to work that into your presentations if you want.

The whole purpose of our meetings is to give this Senator some instructions, and—not instructions, perhaps, but at least some indication of what the preference is of Minnesota farm—farmers, farm interests are with respect to the 1981 farm bill and what the long view is on farming. This morning's hearings are going to give the committee an opportunity to hear directly from farmers and what they think the goals of our future agriculture policy should be.

I find that—I'm just one Senator and there are—how many members of the Agriculture Committee?

Mr. RUSSELL. Eighteen.

Senator BOSCHWITZ. Eighteen members; ten Democrats and eight Republicans, and I among the freshmen am quite senior, because it was my first choice of a committee, Agriculture. I think that is the very base of our State's economy, and that is the very base, very frankly, of my political constituency, and that's something that a guy in my line of work is not overlooked. And I'm a practical fellow, as you know, just like I hope you are, and that's what we want to hear this morning.

I think it's quite important that Members of the Congress have a clear set of goals in mind as they begin work on the 1981 farm bill. And the Senator who is best informed in the areas that are of importance to his State and region is the Senator that is going to have the largest impact on the bill, and I want to be that Senator. I really do.

You've all heard about the figures with respect to the so-called plight of the family farm. And while productivity of farmers has risen very quickly in relationship to the rest of the economy, it's almost a reversal.

The economy has been proceeding in productivity increases of about 1.5 percent, and more recently, even less; while the farmers have taken the 1.5 and reversed it and made it 5.1 percent annual productivity gain. It's been a very productive side of our economy and the long view of agriculture has to take that into account.

Secretary Butz was at our hearing yesterday, and he pointed out that we have been very, very fortunate in this country in that underlying all of the other pluses that we have is our agriculture economy. No place else in the world does there exist such a large area as exists in this country and southern Canada and the plains of Canada, which are fertile, which get an adequate amount of rain, and which has a climate that allows the growing season a sufficient length so that it can be productive. We are, indeed, the world's bread basket, and there's no question that that's going to be more important than oil or any other commodity in the world in the long run. I think that the future out look of farming is good. I look at statistics and I see that the per capita production of feed grains and other products that we're interested in, have in the last 5 years declined worldwide; that the actual quantity may have gone up somewhat, but that the population is growing at a faster rate; and that embargoes, if you pardon the word, can one day really become effective. Unfortunately, I don't think this one was nearly as effective as had been intended, but it will eventually be quite a tool if—it will be a tool that will almost be a moral's use because the world is going to become more and more dependent on our farmers for their very sustenance, and I think that that is part of the long-range positive aspect of farming.

Frankly, what bothered me about the embargo—if I can speak about that for just a moment—is that it indicated to me that the Government, broad—a broad spectrum of Government, because the embargo is supported by Republicans and Democrats alike very much. I opposed it from the very beginning, as you may know—we didn't count on mosquitoes here when we did this planning—but it indicated to me that people who are in Government, that very many of them have a rather short-range view of agriculture, that they don't understand that this is really the—such a strong aspect of America's future position in the world that we should be doing things that encourage producers to invest, encourage producers to become involved in the business of producing agricultural goods and commodities, and that in the long range there is no place else in the world. The Argentina pampas are, Butz said, the size of 10 or 12 Minnesota counties. The other areas of the world that are active and productive areas don't begin to approximate what the capacity of American and Canadian farm greatness is.

So the long view was not considered. When you undermine agriculture you are not taking the long view that you have to encourage people to get into this business and make a success out of the business. I like the family farm. I like it for a whole bunch of reasons, not the least of which is that the only poll I've ever seen that showed 100 percent of the people supporting one thing is the family farm.

I find in my business, my business experience, that my most effective competitor always is the individual who owns his own operation and competes with me in a town or city where I have a store located. No

question about the fact that when an individual is properly motivated, that is allowed to keep a reasonable share of what he or she produces, that people produce more. And the broad companies that have hundreds of chains of—hundreds of lumber yards, or something, are not nearly as competitive, and this is one of the reasons why my company, most of my stores are owned by the individuals who manage and run them, because there's no question that the individual, whether he be a farmer or businessman, is most competent to undertake his own affairs and will be the best competition. So I think there's a great future for the family farm, and I think, also, that there's a great future for agriculture, and I look forward to taking the very long view in the 1981 farm bill.

With those brief introductory remarks, as brief as far as politicians are concerned, I'll turn—I should show this. It's a button, the fact that one commercial dairy farmer supports 1,288 consumers. Should I wear it?

Mr. RUSSELL. Sure.

Senator BOSCHWITZ. I'll have to wear it, at least during his testimony.

All right. Gentlemen, if you would introduce yourselves.

In view of—there is extra testimony up there. If people in the audience want to follow the testimony, you might go up to the table and get a copy of it.

So, gentlemen; Cliff, if you'll begin, on my left, and introduce yourself and say where you're from, then we'll hear your testimony. And we'd like to limit, if we may, the panel to 20 minutes. We have a few minutes more than that but we do want to keep on schedule because at 11 o'clock, I understand, it starts getting pretty noisy.

Mr. Schumacher.

STATEMENT OF CLIFFORD SCHUMACHER, PRESIDENT, NORTH-CENTRAL REGION, ASSOCIATED MILK PRODUCERS, INC., SLEEPY EYE, MINN.

Mr. SCHUMACHER. Mr. Chairman, I am Cliff Schumacher, from Sleepy Eye, Minn. I operate an average size dairy farm and serve as president of Associated Milk Producers, Inc., north-central region.

Associated Milk Producers is the dairy cooperative of 30,000 dairy farm families; 5,000 of these AMPI members live in Minnesota and have contributed $184 million to the economy of Minnesota in 1979.

Associated Milk Producers, Inc., is owned and operated by dairy farmers who produce 12 percent of the U.S. milk supply. AMPI members strive for maximum efficiency in production, transportation, market balancing and processing. Because of the inherent volatility of the milk market, Government participation is essential in maintaining milk price stability to attract adequate farm investments for efficient production. The AMPI members favor national policies that include only the necessary Government involvement to assure adequate long-run domestic milk supplies at reasonable prices for consumers.

The minimum Government involvement in U.S. dairy programs is necessary in five interdependent areas: Capper-Volstead, milk price supports, responsible import management, Federal milk marketing orders, and an honest dairy nutrition policy for consumers.

The following AMPI members' policies on current dairy issues are clearly in the public interest.

Current legislation which establishes the "floor" under milk prices at a range of 80 to 90 percent of parity expires in 1981. The 4-year farm bill will be legislated in 1981 and will address whether this level is most effective in assuring adequate supplies of reasonably priced milk, or whether some lesser price floor will give consumers these assurances.

While Government purchases of milk have been relatively high in 1980, the long-run program operations have demonstrated that price floors at no less than 80 percent are required to keep adequate farm resources directed to milk production.

Temporary oversupplies of milk have resulted from extreme economic difficulty in other agricultural commodities, from the general business recession, and from the impact of unneeded and ill-advised imports of dairy products. It would be shortsighted to render ineffective the only farm program which is working for consumers and producers.

The 4-year farm bill which will be drafted in early 1981 should continue the proven milk price support provisions which establish a support level at no less than 80 percent of parity.

Casein is a milk product and its importation interferes with the successful performance of the U.S. milk marketing system including, price supports. This is a clear violation of the intent of Congress.

Years ago, casein was used as an industrial chemical and its exemption from import quotas reflected that utilization. It is produced for export only in countries where the alternative is to produce casein and subsidize its sale in the United States in order to evade our dairy quotas, thereby, dumping their on-again, off-again surpluses. Congress has in the past noted that almost exclusive use of casein as an industrial chemical and the importance of monitoring to identify adverse impact upon U.S. dairy farmers if casein should begin to displace milk from traditional U.S. markets. That adverse impact is now a fact. Total imports of casein have significantly increased, its industrial use has significantly dropped, and its use in food and feed has significantly increased. As with their predecessors, the current administration continues to yield to food fabrication pressure by ignoring this adverse aspect.

Since all other remedies have been exhausted, further clarification of the already clear intent of Congress is the only option. Toward that end, appropriate legislation will be introduced in 1981 which will limit importation of milk protein, reaffirming long-term U.S. policy: Adequate supplies of domestically produced milk for U.S. consumers at reasonable prices. The public interest cannot be served by forcing consumers to rely on untested and transient foreign food supply. Congressmen and Senators who endorse this long-standing policy will be asked to cosponsor and support this legislation.

Within the USDA, a group of specialists has decided on its own to pursue a policy of Government intervention which is intended to modify American diets by limiting food choices. This policy includes purposeful long-term reductions in the agricultural resources directed to the production of milk, meat, and eggs. Eminent scientific groups hold that reduced consumption of animal products is unwarranted for

a vast majority of people. Altering the entire national diet to meet the needs of a small minority is foolish, and is an irresponsible abuse of Government powers. Central planning to limit or control individual food choices is not a proper function of the Government. Furthermore, the soundness of the national goals to which these specialists are dedicated is unproven, controversial, and in serious doubt. If there is concensus, it is that no concensus is attainable on a specific regimen of food choices for a general populace. Yet, USDA's Food and Nutrition Service regularly imposes its own judgment on controversial scientific matters with both new administrative rules and dietary suggestions to reduce consumption and the production of butterfat, meat, and eggs.

Senator BOSCHWITZ. Not to interrupt you, Cliff, but nothing is more indicative of that than the nitrite situation that we just had going. Now, that cost various people, untold, millions of dollars just coming down to visit guys like me and spending a lot of their time and effort, and, finally, it was withdrawn.

Mr. SCHUMACHER. Resolve. Yes.

Senator BOSCHWITZ. Right. Your school and welfare programs you were on.

Mr. SCHUMACHER. Yes.

Senator BOSCHWITZ. Sorry to interrupt you.

Mr. SCHUMACHER. School and welfare food programs, as well as national nutrition education and information avenues are regularly used to implement such changes in food choices.

Senator BOSCHWITZ. I might tell you that I agree with you when you're saying that the USDA has lost some of the emphasis. It's supposed to be the Department of Agriculture and now they are becoming more of a department that is alined with and toward consumers and telling people what to eat. And there's never been a healthier nation of people than the United States, and not an insubstantial part of that is because we have eaten well.

Mr. SCHUMACHER. Product standards and truth in labeling. This is an unexpected and undesirable backlash from extensive use of ingredient and nutrition labels on food products. Standard products are traditionally well-known nutritional attributes are now relegated to a list of "also-rans", posing complex comparisons to consumers at points of purchase. Such comparisons must be made on the basis of partial lists of nutrients, and lists of unfamiliar ingredients. The standard products are becoming unrecognizable. For example, prior to the current confusion in labeling, a consumer could purchase cheese in the supermarket confident that the word "cheese" on the label guaranteed that the product was, in fact, cheese. Now, the product's made from vegetable fat, alternative proteins, or industrial chemicals, and with the general appearance of cheese are displayed along with genuine cheese products in the same case. Fake cheese products are disguised in packages closely resembling those of real cheese products, and consumers can learn only through careful study of the label's fine print which is fake and which is real. Even careful study may not disclose just how it differs, nor the extent to which traditional ingredients have been displaced. As another example, imitation cheese is extensively used as an ingredient in convenience type foods, fast

food establishments, and even school lunch programs in such a way that consumers cannot know that they are deceived.

The Food and Drug Administration and the Federal Trade Commission should be stopped from creating or permitting confusion and deception about the nutritional equivalence claims for imitation products, when all nutrients are not matched, are continuing deceptions and must be stopped. The FTC should be required through administrative means to stop consumer deception now promoted by labeling regulations. Members of both Houses of Congress should contact Dr. Jere Goyan, Commissioner, FDA, and Michael Pertschuk, Chairman, FTC, to make them well aware of congressional concern over consumer deception and the market disadvantages deliberately created for natural and standard food products. If these agencies continue to abuse the public interest, legislative action may be the only answer.

Mr. Chairman, I certainly appreciate the opportunity of appearing before your committee on behalf of AMPI dairy farmers. I would be glad to answer any questions you might have.

Senator BOSCHWITZ. Well, I just will make the comment; Dr. Goyan and Mr. Pertschuk know my name very well because I have taken the viewpoint that you have outlined. I had somebody in my office the other day who was an expert on labels. And you now have to spend your full time on just learning how to read and interpret the labels that are put on food, which sometimes are good for people with diabetic problems and things like that, but by and large, it's so terribly complicated that you don't know what's going into the products. And as you point out, that casein might fall into that grouping as well, and casein has been a method of avoiding some of the import restrictions that we have been able to establish.

Mr. SCHUMACHER. Thank you.

Senator BOSCHWITZ. Thank you.

Don Slinden is our next witness.

STATEMENT OF DON SLINDEN, SECOND VICE CHAIRMAN OF THE BOARD, LAND O'LAKES, GROVE CITY, MINN.

Mr. SLINDEN. My name is Don Slinden, and I am a farmer from Grove City, Minn., where I operate a 1,300-acre farm with my wife Joyce and my sons and their families. We milk 45 cows and raise wheat, corn, soybeans, and alfalfa. We also grow vegetables for the Green Giant Co. I have been active in cooperatives for many years and have served on the board of Land O'Lakes for 7 years and as second vice chairman of the board for the past 3 years. Land O'Lakes, as most of you probably know, is a regional cooperative serving 250,000 farmers in the upper Midwest.

Senator Boschwitz, I'd like to begin by commending you for bringing your committee out into the heartland of America. I know how difficult it can be to do this sort of thing and yet how important it is to get away from the legislative halls to meet with people and discuss the issues which are of concern to them.

My concern, as a farmer and as a member of Land O'Lakes, fall into two categories: No. 1, the structure of agriculture and No. 2, the new farm bill.

There are, of course, numerous interrelated and complex issues in each of these categories which concern me. In the interest of time I shall highlight four of them: inflation, farm ownership and control, barriers to land transfer, and transportation.

At one of our recent Land O'Lakes board meetings we devoted considerable time to the discussion of issues bearing on family farming and the structure of agriculture. While I cannot capture all of the thoughts and views of the board of our total membership today, I will try to present some general views that have evolved from our discussions.

INFLATION

There is a general agreement among our members that the No. 1 problem we face today is inflation because it has a devastating effect on anything and everything it comes in contact with.

In agriculture, inflation has caused land, fuel, and machinery prices to go up much faster than the returns the farmer is receiving for his efforts. In the process inflation has created a situation where it is extremely difficult for potential farmers to purchase land and for established farmers to achieve an appropriate and adequate return on their investment.

If Govrnment will take the necessary steps to control inflation and improve the health of our general economy, all segments of our society, including agriculture, will prosper.

I urge this committee, and the Congress to take controlling inflation—to make controlling inflation your No. 1 priority during the coming session.

Senator Boschwitz. I want to tell you, Don—I'll just comment very briefly, that I agree with that. That not only is something that would be said by farmers, but something that would be said by the elderly, by people in business, by people in every segment of the community, and one has to ask what can the Government reasonably do? And No. 1, we can control the production of new money. Money is a commodity very much like the things you're involved in, and when you have too much of a commodity the price of the money goes down and that's when—when the price of money goes down, inflation is caused. So I support the idea of the Federal Reserve Board not expanding the money supply at too quick a rate. Second thing we can do is pass legislation that will increase productivity and that principally tax legislation that will give some incentive to productivity in this country. And I support those things. And, third, and finally, we ought to be—the three things Government can reasonably do is balance the budget, the third thing, and we're doing a very bad job on that. On the 12th of June we passed a budget that we declared was balanced, and on—about a week ago, on the sixth floor of the building, which my office is, I'm on the Budget Committee, we were meeting in a Budget Committee on the sixth floor, we increased the budget by $20 billion, and down on the second floor the Finance Committee was meeting and they decreased—they gave a tax cut of $40 billion, so that the deficit finally—suddenly became $60 billion. When you have that large a deficit the Government has to go out and finance it.

And if you think of a whole bunch of people standing at a bank window and they all want to get loans; some of them are farmers,

some of them—every sector of society, and the most credit worthy guy is up in the front of the line, the guy whose credit is best. Maybe it's IBM or maybe it's Exxon or some of the other large companies. Then you go down the line and down here are the farmers and the minorities are way down at the end. Suddenly, the big guy comes up, Uncle Sam, and he's the most credit worthy of all. He wants $60 billion. Because of the actions of Congress now, and as a result a lot of these folks down at the end of the line will never make it to the bank window, and they go plop. And suddenly a politician says, "My God. Those folks vote. We've got to expand the money supply to accommodate them." Because the Government comes in and takes these huge chunks out of the banking system. They have in the past accommodated everybody by expanding the money supply, cheapening money, and that's what we call inflation.

Don, may I ask, are you going to go through the entirety of this testimony?

Mr. SLINDEN. Well, I can consolidate some of it.[1]

Senator BOSCHWITZ. All right. Good. Because otherwise we're going to run out of time.

LANDOWNERSHIP AND CONTROL

Mr. SLINDEN. Two other areas that are of great concern to us are the areas of landownership and the control of agriculture. In the latter area we're concerned, first of all, by what seems to be a trend toward using our highly productive agricultural industry more and more as a tool of our foreign policy. Second, we're concerned that some in Government and others increasingly seem to be looking at our agricultural industry as a device for solving our Nation's social ills rather than as a critically important production unit. Finally, we're concerned that there are those who view agriculture purely as a tax shelter whereby they can use farming losses to offset nonfarm income.

BARRIERS TO LAND TRANSFER

Another area I'd like to comment on is the area of barriers to land transfer. There is probably nothing that stirs the emotions of farmers more than the difficulties they encounter in transferring landownership to members of their families and the barriers encountered by young people trying to get started in farming. We give lipservice to the fact that our young people represent our future and then tax land transfers to family members to the point where such transfers are extremely difficult. As a consequence, topnotch would-be farmers seek employment elsewhere where the risk is less and the rewards more secure. We need to turn this around and I'd like to suggest some ways in which we might do it.

Let's provide special tax incentives to encourage retiring farmers to sell to potential young farmers. The State of North Dakota has instituted such a program and it is working real well. Primarily, this incentive could be some tax modification on the capital gain on such a sale or on the interest on such a sale, if the seller retained the note.

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[1] See p. 207 for the prepared statement of Mr. Slinden.

Let's permit an untaxed transfer between spouses. Let's grant investment tax credit on transfers from father to son on eligible farm items. Let's increase the current estate tax exemption which, though increased in 1976, is already outdated.

TRANSPORTATION

Another monumental problem for agriculture in this part of our Nation is transportation. Those of us who live here find it difficult to understand why our Government has been so slow to act on something that is so crucial to agriculture and to our entire economy.

It's ironic, indeed, that here we are in the upper Midwest, able to produce in such great abundance, yet severely handicapped in our efforts to move that produce to our domestic and foreign markets.

What we need is Government action now to accelerate the renovation of lock and dam No. 26; and to allow railroads to merge or jointly own railroads to pave the way for railroads and others to join together in joint ventures to activate railroads which have been abandoned; to provide incentives for the modernization of our rail system; and to promote the further development of the harbor of Duluth and whatever else is necessary to encourage innovative rail, water, and highway solutions to the transportation problems which confront us in the upper Midwest.

Let me conclude by talking about the farm bill which will be brought before you for action in 1981.

On balance, we like the basic market-oriented policy that our Nation has followed for nearly two decades, but we would ask that within this basic policy tradition close attention be paid to the interactions and cross-impacts of singular policy actions.

We support the concept of a price-support loan serving as a price floor for grain but allowing U.S. commodities to move in a competitive world price range.

Further, we support farmer-held grain reserves and the use of paid diversions to keep an approximate year-to-year balance between supply and demand.

We recognize that under such a policy, income supplementary payments, by whatever name, will probably have to be continued.

In the area of dairy, we support dairy policies which foster the development, growth, and economic well-being of dairy farmers and associations of dairymen and believe that they are in the best national interest. We support Federal legislation authorizing adequate dairy price supports, Federal marketing orders, and other Federal programs designed to provide adequate supplies of high-quality milk and dairy products, the orderly marketing of milk, and greater stability in the marketing conditions.

Speaking to other points of the bill, we feel something needs to be done to compensate for the almost unbelievable 20–40-percent cost increases on the farm in recent years. Cost of farm imports will need to be stabilized, and the prices on most farm commodities will have to increase if we are to continue to have a viable and dynamic agricultural industry.

In this regard, we feel greater emphasis needs to be directed toward the development and maintenance of an expanding export market for U.S. agricultural products.

We support policies which move in the direction of free trade but believe that countervailing duties, quotas, and similar devices must continue as a safeguard against competitive distortions resulting from subsidized exports, commodity dumping, and other unfair trade practice.

In the area of energy, we urge Congress to enact a national energy policy which is realistically attainable and which will achieve greater self-sufficiency within a reasonable period of time. Such an energy policy must emphasize a priority need for agricultural production assembly, processing, and distribution to ensure long-term economic growth for agriculture and our Nation and a satisfying and productive life for all Americans.

Finally, we strongly support the legislation under which cooperatives like Land O'Lakes, the existing methods of cooperative financing, and the present tax laws as they relate to cooperatives. Senator Boschwitz, there is much more I'd like to say, but let me conclude by once again expressing my heartfelt appreciation to each of you for your concern with the future of our agricultural industry.

Thank you for hearing our views on these important agricultural matters.

Senator BOSCHWITZ. Don, I note that you did skip around. Thank you.

Mr. SLINDEN. In the interest of time I did.

Mr. BOSCHWITZ. Yes. I appreciate that, in the interest of time you did. I want you to be assured that I will read and Randy Russell, who I should have introduced earlier, who is my very competent staffman in agriculture, is with me. I will reread your testimony, which I think was a very excellent summary.

We went into transportation into some detail yesterday. And we will include the entirety of it in the record.

Ready to go, Cliff?

STATEMENT OF CLIFF MARKUSON, GENERAL MANAGER, AMERICAN DAIRY ASSOCIATION OF MINNESOTA, ST. PAUL, MINN.

Mr. MARKUSON. Thank you.

Senator Boschwitz, my name is Cliff Markuson. I am the general manager of the American Dairy Association of Minnesota. I'm going to go back into history a little bit, although I realize you prob ably did not want that, but I think——

Senator BOSCHWITZ. That's all right.

Mr. MARKUSON. I think we should go back just a little bit, because I want to relay to you some things that dairy farmers are doing that possibly you are not aware of.

Back about 46 years ago an organization was formed in the State of Minnesota, and it was at that time called the Minnesota Dairy Industry Committee. That committee was charged with the responsibility of collecting some funds from dairy farmers to promote their product. At that time, as is true now, the old law of supply and

demand seemed to affect the prices and the value of the product. Since that time, of course, the program has grown. A couple years after it was formed six others or five other States—I'm sorry—decided that they should join with Minnesota in forming a national organization. I might just say to start this organization $20,000 was borrowed from the Minnesota Legislature. After about 28 States had used this $20,000 it was returned to the Minnesota Legislature. And so the dairy farmers in the State of Minnesota were, in fact, the originators of the advertising promotional program, as it is known today.

We like to call this a self-help program. It's a program that we feel is a program that is very much needed to do the things. So from a very, very small beginning back in the—40-some years ago—this year dairy farmers nationwide will voluntarily invest some $65 million to promote their products. And I think that you should be aware of the fact that dairy farmers are willing to invest this kind of money; that they're not always standing with their hands out looking for something. So they are very proud of it. These are dairy farmers' dollars. They're collected by various ways. Some are collected through the Federal marketing orders, some are collected through co-op action. Here in Minnesota we have a State law which requires dairy farmers to participate. However, each dairy farmer has the right then to ask for his dollars back. We're proud to say that the majority of the dairy farmers—the fact of the matter is, about 80 percent of the dairy farmers in Minnesota—are contributing to this program and leaving their dollars in the program.

This program, as you might know, is used—the dollars are used in a number of different ways to promote our products. One that probably many people are not aware of is the educational kind of program that we have. We have a program of education whereby we really go out and teach teachers how to teach good nutrition, and when we do that, of course, we have to talk about the four basic food groups, and we furnish the materials for the schools to use. We not only feel we are helping ourselves, but we're also helping the people of our State and our Nation, because anyone that's on a good diet is certainly going to be an advantage to them.

Another thing that we are doing with some of the $65 million is research. We're using some of the dollars to find out new ways to use some of our dairy products. Right now we're trying our best to find better ways to use the whey products that are developing because of the tremendous amount of cheese that is being used.

Another project that we hope will come through in a few years is a project whereby we'll be able to have—I don't like to use the term "sterile milk"—but we'll be able to put milk on a shelf or be able to put it in a milk dispenser or in a pop machine and it will be available. We think we're getting very close to some of those things. We also——

Senator BOSCHWITZ. That's a good idea and I haven't heard of it.

Mr. MARKUSON. Right. We're working on that much, and some dairy farmer dollars are being invested in that.

We also do a certain amount of nutrition research, and by this we mean we're trying our best to counteract some of the feeling that animal fats are responsible for all heart diseases and so on; and as you know, some of our research projects are proving that animal fats are not the villain that they have been led to believe.

We also do a certain amount of market research, trying to find out just what do the consumers want. What does Mrs. Consumer want in today's market? And that's very important, because we must package and get our product in a way that she likes it.

Then, of course, probably the most important part, and where the majority of the dollars are spent, is in direct advertising; and there we use all the media: TV, radio, newspapers, magazines, billboards, and so on.

We're also developing a new program right now that we call the Real-Seal program, and this kind of alludes to some of the things that have been said before. We are making available to all of the dairy processors in the Nation now a seal that they may put on their product if it does contain all dairy products. And as soon as we get this program going we will be doing a lot of advertising promoting that Real-Seal product so the housewife will be able to accept that a good deal like it was years ago with the Good Housekeeping seal. We think this is very important. However, we do need some help.

The biggest complaint that we have from our dairy farmers that are not investing in the program is the import situation. They feel that they're helping to sell some of the imported products; and this is very true. However, we try to suggest to them they can't throw over the whole program because of the imports that are coming in.

Senator Boschwitz. Which amounts to what? Three, four percent of the market?

Mr. Markuson. Yes. Just a little—about 3 percent of the total market. That's right.

Senator Boschwitz. Sounds to me like a constructive excuse on the part of some farmers not to give you a little dough.

Mr. Markuson. That's right. we recognize that, but it still is an excuse. Most of our dairy farmers do believe in the supply and demand situation, and that is why they're willing to invest these dollars. Here in Minnesota they invest one-half of 1 percent of their gross milk check, and in some cases the larger farmers are investing a considerable amount of money. I talked to one the other day, and he said he's investing about $250 a month in this program. He is a large dairy farmer.

When we get to dairying in the future, I think dairying in the future in the 1980's will depend a great deal on a number of things. No. 1, just how will dairy farmers themselves react? What will they be willing to do? And then, of course, we do need some help in legislation. We do need help in controlling some imports. We do need help in this casein thing. We need help with many of the farm programs. We have and believe me we need help in maintaining the Capper-Volstead Act, because many of these things are very, very important to dairy farmers.

Senator Boschwitz. I don't think there's much threat against the Capper-Volstead Act, but, nevertheless.

Go head.

With all due courtesy may I ask you to reasonably conclude. We're going to lose our time.

Mr. Markuson. I have used all of my time, Senator Boschwitz, and I have come to the end of my remarks. Thank you very much.

Senator BOSCHWITZ. Thank you. I thank you all for coming. I know that the dairy part of the farming industry has been a sound and healthy part. That this year we have a little overproduction for a number of reasons, not the least of which is the downward trends in the other sectors of agriculture, and also the recession which I think Cliff mentioned earlier on that has reduced the usage just a little bit, so combined with usage, slight drop in usage of what? Two, 2½ percent; increase in production of about 3 percent, as the cows are fed cheap grain and other high protein supplements so that there has been something of an increase in production.

I thank you very much. You are welcome anytime in my office. I will have time during the latter part of the fall, unless the Senate goes back in session, to spend more time with you, and I appreciate your coming today. Thank you very much.

Next is the cattle panel, and we have Henry Mertens, president of the Minnesota State Cattlemen's Association. And we—Tom Arends is also on this panel, and Tom is also joined by Herman Natwick, member of the Minnesota State Cattlemen's Association, and a very old friend at whose farm I have stayed. And we're not going to have rain.

Gentlemen, welcome. It's always nice to be with you, particularly you, Herman. We have—I started off in the political game with Herman—when was that?—12 years ago?

Mr. NATWICK. I guess 12 years ago. You know, Rudy, I resent being called an old friend. I'm a young friend.

Senator BOSCHWITZ. Listen. Don't resent anything. I'm getting gray and you're not.

STATEMENT OF HERMAN NATWICK, MINNESOTA STATE CATTLEMEN'S ASSOCIATION, ADA, MINN.

Mr. NATWICK. Thank you, Senator Boschwitz. And, first of all, may I compliment you on your interest in agriculture. Coming from Minnesota, it's very appropriate that you take an interest and serve on the Senate Agriculture Committee. And you were talking about our old friendship, and I would just like to remind you in a complimentary sort of way, of the first time that you rode from Fargo up to my farm, and this is to show, to demonstrate the ability of this man. At that time you didn't know the difference between soybeans and sugar beets and corn, and he found out why the corn, some of it was green, some of it was yellow and what stages the various crops were at. Now, at that time I was just a farmer and he was a plywood peddler. Now, I'm still just a farmer but he is on the Senate Agriculture Committee, so this is an example of his ability.

Senator BOSCHWITZ. He's just a farmer. He owns approximately two-thirds of Norman County. We both have done well over the years. I think we're both testimony to the fact that hard work still has a place in our society, and that's another aspect of it, but go ahead.

Mr. NATWICK. I would have to say, just as a rebuttal, I'd have to say up in the Red River Valley it takes two-thirds of a county to make a living.

Getting on to our concern as members of the National Cattlemen's Association, of Minnesota Cattlemen's Association, we have all of

the concerns, of course, that all of the other groups have, that is all of the other groups in agriculture; but we as cattlemen, I think you will find probably really represent middle America, the salt of the Earth, the people that are concerned and have a good understanding and overall knowledge of the interworkings of the various aspects of agriculture. The grain producers, the corn producers, the wheat, all of agriculture, they all come together with those of us that are involved in the livestock industry.

We're going to break our testimony within this group into just very specific areas so that we don't overlap, and I'm going to be talking on public lands.

While public lands are not a direct concern in—with the cattlemen in Minnesota, we have little or, if any, public lands here, it still greatly affects us because of the intertwining and the number of cattle that are grazed on public lands that come into our feed lots.

The livestock industry, while increasingly of a commercialized nature, where one of us feeds cattle, others of us backgrounds them, another raises the cow calves, we still must carefully consider it in the overall agricultural policies. Any changes in Federal agricultural programs or policies should be closely examined as to their impact on the livestock industry. The well-being of the livestock man is greatly affected by the production cycles, the weather, cost of money, changes in Government policy and programs. Changes by the Government in the areas of grain price supports, reserve programs, embargoes, transportation policy, environmental and drug regulations, credit restrictions and public land policy all have the effect on some phase of the livestock industry, which at times can be very detrimental.

I would like to briefly address the last issue, that of public lands policy from the livestock producer's viewpoint. While we have little or no Federal grazing lands here, which I mentioned, the entire Nation is dependent on cattle and sheep which are grazed on public lands. With 61 percent of the grazing lands in the 11 Western States owned by the Federal Government, that's either the Department of Interior or the Forestry people, the policy of use of these lands becomes extremely important to the livestock industry. Great care must be exercised that the desires of the recreationalists, the environmentalists and the naturalists do not overbalance the Nation's need for food and fiber. Not only is the policy toward this balance important, but the fair and judicious administration becomes the lifeblood of the livestock industry. And here it would be—and this is a critical thing, I think. It isn't nearly the policy that's set out, but it's how you—your Federal bureaucrats administrate this policy. And I think we've had an example of that in just the past few days. About 10 days ago the Bureau of Public Lands decreed that the livestock had to be pulled off the pastures in, I believe, eight Western States. Millions of heads of livestock that had to be removed from these lands 6 weeks ahead of their normal grazing period.

Now, this puts an extra burden on these livestock men having to find winter feed or feed of other sources for these livestock that are pulled off the graze lands that are owned by the Bureau of Public Lands or the Federal Government. And, certainly, it takes the management of

this grazing land, it makes it very disastrous, really, for some of these ranchers that have to find new feed in a period when feed costs are excessively high. It's not something new to have short pastures, and it's not something in the total overall ecology that pastures should not be grazed down once in awhile, and may be short, but with the Federal bureaucracy, there is no court of appeals, no second guessing these people when they make such an administrative decision. The livestock men are defenseless in doing anything about it. It would be my observation that in normal times this forestry land, land administrated by the Bureau of Public Lands, is a greatly underused resource which the policymakers should reexamine and develop to a much greater degree to feed the ever-increasing population.

With increasing amounts of the Nation's feed grains slated to go into the production of fuel and food sweetener, it will become increasingly critical to produce a greater portion of our meat in areas which are not suitable to cultivation. The public lands constitute a national food reserve which the Federal Government can ill afford to leave in charge of the antigrazing administrators.

In another very closely related point, which points out the value or the extent to which grazing land is used to raise our meat products, you've often heard the question raised as to whether we can justify feeding grains which can be used for feeding humans—to livestock, when people all over the world are going hungry. First of all, we have to remind our critics that the greater portion of our beef and lamb are produced from grass, hay, and otherwise wasted residue, which, at this point, cannot be economically converted directly to human food or fuel. Second, the economics and transportation dictate the extent to which we can feed the world, rather than the availability of cereal grains. Our livestock herd constitutes the greatest food reserve that any nation could have, one which can be expanded in times of good weather and surplus crop production; and depleted in times of bad weather and shortages.

In conclusion, I would like to state it would be my opinion that the Federal Government should closely examine the policy toward management of public lands and give a much greater and higher priority to the production of food than it has in the past.

Senator BOSCHWITZ. Herman, one question. I am not so familiar with the grazing land problems of—that you spoke about. What are the three States? You talked about 11 States.

Mr. NATWICK. Eleven States.

Senator BOSCHWITZ. Are there three or four principal States, may I ask?

Mr. NATWICK. Colorado. I'm not sure of the three top ones. Colorado. Arizona, Wyoming has to have among them, and Nevada has a large amount.

Senator BOSCHWITZ. Well, if you come down to Washington sometime, we can get together with the Arizona Senators and Colorado Senators and Wyoming Senators, and Nevada Senators. I—all I happen to be very close to both philosophically and politically and maybe we can talk a little bit more and we can—I can gain a better understanding of that.

Mr. NATWICK. My feeling is it's a great problem with administration. It's one that's gotten away from the intent of Congress.

Senator BOSCHWITZ. Is that the Bureau of Land Management?

Mr. NATWICK. I think so, yes. And I think they've administrated for both the Forestry people and the Department of Interior. Is that not right?

Senator BOSCHWITZ. I want you to know that my experience is that—I'm not quite sure how the environmental community enters into that—but they are extremely well organized, and they should be, and so you should be as well.

All right. We'll go on.

STATEMENT OF TOM ARENDS, MINNESOTA STATE CATTLEMEN'S ASSOCIATION, LUVERNE, MINN.

Mr. ARENDS. Senator, I'm Tom Arends from Luverne, Minn. I'm a cattle feeder and we farm land in Rock County. We, too, have noticed the transition from a plywood Minnesota giant to a Senator in Washington and we have followed your flight through this process and are quite impressed with your transition, so with that I would like to speak to you about——

Senator BOSCHWITZ. Don't leave it at just those few words. You may want to go on for awhile. [Laughter.]

Mr. ARENDS. I think that is justified.

Senator BOSCHWITZ. Go ahead.

Mr. ARENDS. One of the cattlemen's main concerns of the future is, "Who will own our land 20, 40, or 60 years from now?" When the Senate deals with the future of farm legislation this is one area they must study very carefully.

Please let me explain. Currently there is a great deal of outside money being used to purchase our rural farmland as investments. Now by outside money we define as profits which are generated from someplace other than from farmland itself. Just 3 weeks ago in our own county an outsider purchased three farms. Herein lies our problem. These outsiders come in and drive up the price of the land, thus making it more difficult for farmers to pay for it from the profits that it alone generates. Now because of the outside sources of income, these investors are more able to meet the high cost of land payments.

Now, just another serious concern for other cattlemen is the estate taxing laws of the family farms as it is passed on to generation—to the next generations. We simply must have some changes here. With the inflated value of land comes the inflated estate taxes; taxes which generation members simply cannot afford. Legislation must be passed if the family farms are to remain a part of American agriculture.

Current economic conditions—recessions, inflation, high interest rates, and energy costs are another problem that cause grave concern for the cattlemen. In the past these economic conditions ran in an orderly cycle and it was the farmer's ability to become more efficient to offset these problems. Today agriculture is less able to lower the real costs and must be able to pass through rising costs by higher and more realistic prices for their products. Thus, the role of cheap food policies advocated by some of our leaders in the country must stop.

Our American people have the lowest food costs in the entire world; and yet our farmers are dealing with lawmakers who consistently advocate the cheap food policy.

Senator BOSCHWITZ. You also—oh, is that your next paragraph? The Department of Agriculture is also part of the battle in that regard. Far and away, the largest part of the Department of Agriculture's budget now is consistent with the idea of wanting cheap food.

Mr. AREND. Yes. We would kind of like to see Carol Tucker Foreman kind of probably thrown out of——

Senator BOSCHWITZ. I pointed out to her that on the school lunch program that—her child was on the school lunch program receiving a subsidy as was mine, and that I quite understand. Keep going.

Mr. AREND. We would like to start a new idea, beginning with the U.S. Department of Agriculture, that the food Americans eat is plentiful and nutritious at a very bargain price. In order to keep America eating as nutritiously as in the past, the farmer's income from these products must rise as have his expenses.

Higher farm prices would generate more jobs in the cities because of increased purchasing of equipment and so forth in agriculture-related fields, plus handling of the finished product, as well as raise our dollars in exports, thus helping to bring our balance of trade in line. Let's help promote higher food costs for the good of the United States, and not the downfall of it.

I'd like to thank you for the opportunity that—to testify before the Ag Committee. We would also like to compliment the Senator for his excellent record in the Senate in regards to the cattle issues. Thank you.

Senator BOSCHWITZ. Thank you very much, Tom.

And, Henry.

[Off the record.]

STATEMENT OF HENRY MERTENS, PRESIDENT, MINNESOTA STATE CATTLEMEN'S ASSOCIATION, EASTON, MINN.

Mr. MERTENS. Thank you, Senator Boschwitz. I'm Henry Mertens. I'm president of the Minnesota State Cattlemen's Association. We are an organization affiliated with the National Cattlemen's Association. We have about 2,000 dues-paying members within the State. These 2,000 members probably produce two-thirds of the cattle that are produced within the State. We appreciate your taking your time and coming here to get firsthand information from the cattle industry and from various producer organizations on our concerns of agriculture in the future.

Cattlemen are looking to the future with a degree of optimism. We are well aware of increasing world population and of increasing per capita income. When people receive higher incomes, they do try to improve their diets. And to many people this means adding animal protein to their diets. Cattlemen are willing to do their part to provide the food for the people of our Nation as well as the people of other countries.

But our optimism is somewhat tempered by unknown problems in the future. And these possible problems of the future are being created

by policy decisions today. We will try to discuss them briefly. Some of this has been covered in previous testimony, but—they'll overlap, but it's quite brief.

Our first problem is runaway inflation. Although the causes may be many and varied, there will be no simple solution to the problem until the leaders of our country realize that a large contributing factor is excessive Government spending ending up with large deficits. It is hard to understand how urging the private sector of our Nation to spend less, save more, reduce productivity and increased unemployment can reduce inflation; while at the same time our Government not only spends more but is going further and further into debt. Why is the private sector punished with higher interest, higher and higher taxes, and increased unemployment to fight inflation, while our Government spends more and is looking at job programs to fight a recession? Isn't it time to encourage the private sector by adopting a commonsense approach to a balanced budget and convince the citizens of our country that the Government is fighting inflation side by side with us.

Along with excessive Government spending we believe that excessive Government regulations and involvement in the lives of all people stand in the way of a healthy, productive economy. We recognize the laws and regulations are necessary for an orderly society but we question whether there is a necessity for many of them. With the ease that regulators adopt regulations that become law, we are approaching the time that we are governed by regulators and not by elected officials who have to answer to the electorate.

Regulations seem to have the effect of restricting or inhibiting businesses and adds to the cost of production. These costs cannot be assumed by industry but must be passed on to the consumer, thereby increasing inflationary pressures.

Cattlemen are deeply concerned of the role of the USDA in the future of the cattle business. Is the USDA going to be an agency speaking for dietary goals based on theory and promoted by some for political purposes, or will scientific research prevail? Will the USDA use the food stamp program and school lunch program to educate consumers away from red meat? Will the FDA continually work to restrict or even ban the drugs and medications that has helped to create a livestock industry which has provided consumers with abundance of excellent and nutritious food? Will the USDA speak loud and clear for agriculture when embargoes are imposed by labor groups to artificially depress prices, or by the President to influence foreign policy? Can the cattlemen count on the USDA to work with a positive attitude to both producers and consumers?

Is it the goal of the USDA and social planners to restructure agriculture by punishing larger, efficient family farms and arbitrarily limiting size and restricting participation in various farm programs, and at the same time reward the small, part-time operations?

These are some of the questions that cattlemen ask as they look to the future. The way he individually answers these questions will determine how optimistic he becomes and how aggressively he becomes involved in the production of red meat for a hungry world.

Again, I would like to say thank you for hearing us at this time.

Senator BOSCHWITZ. Thank you. Thank you, gentlemen, very much. And I appreciate your coming, and it's nice to see you, again; all of you. And I have no questions. You're very straightforward in your approach. You have a wide range of interests; very obviously, the inflation that we spoke about and the regulatory structure. It's interesting to note that the Federal Register last year contained upwards of 75,000 proposed regulations, and they are, indeed, difficult to abide with and some of those proposed regulations have been passed by nonelected officials.

The PANEL. Thank you.

Senator BOSCHWITZ. OK. We have a hog panel. Don Paulson. I have to wear my dairy hat.

Oh, pardon me. Arno Moenning is going to be here together with Delores—is it Kiehne?

Ms. KIEHNE. Kiehne.

Senator BOSCHWITZ. Hi, Delores. Once again, I respectfully—got to be quick up here—once again, I very respectfully tell you that we're being a little too indulgent timewise, so that whatever you can reasonably do without—without hurting your presentation, because it's important to hear you—I would appreciate it.

Go ahead.

STATEMENT OF ARNO MOENNING, MINNESOTA PORK PRODUCERS ASSOCIATION, ALBERT LEA, MINN.

Mr. MOENNING. Mr. Chairman and members of the committee, I am Arno Moenning, national director from Minnesota on the executive committee of the National Pork Producers Council, speaking on behalf of more than 10,000 members of the Minnesota Pork Producers Association engaged in the production of pork. We are indeed grateful for this opportunity to express our concerns to you.

The hog enterprise is an important source of income for many U.S. farmers in addition to being an excellent source of nutrients to the Nation's and the world's consumers. In 1979, hogs provided over 8 percent of the cash receipts from farming in the United States.

The pork industry provides an excellent example of the free enterprise system at work. The pork producer does not receive subsidies, price supports, or other Government contributions directly. He is truly an independent, subject to the economic laws of supply and demand. However, we must have relief from the burden of excessive Federal regulations.

The crushing burden of excessive Federal regulations, such as those imposed on farmers by OSHA, FDA, EPA, and USDA, are unrealistic and unnecessary. We must have sensible approach to reduce excessive Federal regulation that is draining the profitability from farming. EPA and FDA's excessive adherence to zero-risk policies relative to the use of antibiotics, food preservatives, and the like, has put the pork industry under severe regulatory pressure for nearly 3 years. It makes it even less palatable to us when those regulations are predicted from flimsy evidence that has since failed to stand the test of scientific review.

The regulatory agencies have exploited the later-proven-invalid Newberne study to further promote preconceived ideas and concepts which have forced pork producers to take their Government into court two times in the past 9 months to bring about accountability on the part of those same regulatory agencies. It has been estimated that this has cost pork producers at least $1 billion. In both cases, judges have ruled the Government "arbitrary and capricous."

As we struggle under the yoke of the oppressive regulatory agencies, our alternatives are few. We can continue to seek relief in the courts, or we can ask our Government to serve in the interests of all the people. This, we have decided, is the appropriate first step.

Pork consumption has been increasing worldwide and the potential exists for increased exports from the United States. The major reasons for this potential lie in our cholera-free status, our willingness to be a large, reliable supplier, and that our pork is about the cheapest in the world. Only through research and higher investment has this been possible.

During recent years, pork producers have reinvested their profits back into their production facilities to bring about those efficiencies necessary to compete today. As a result, the capital investment per family unit is a record level. With present day investment levels, any disease that produces overnight catastrophic losses looms as a constant threat to our pork industry.

Today we are being threatened by the introduction of the most threatening swine disease known to exist; African swine fever. For 50 years it was confined to Africa, but about 20 years ago it spread to Europe, and in 1978 gained entrance into the countries of Brazil, Dominican Republic, and Haiti. It got into Cuba in 1974, was eradicated, but occurred in the country again in early 1980. Since there is no vaccine or treatment for African swine fever, the only known method of combating the disease is to slaughter all infected and exposed swine.

From these few facts it is apparent that the spread of African swine fever to the United States would be disastrous; not only to the pork producers and the meat packing industry, but to consumers as well, because it would certainly reduce the pork available. Estimates of the cost of eradicating African swine fever, done by the University of Minnesota, are $7.3 million for the smallest outbreak, and $5 billion if it spreads to several States before being brought under control.

Funds are urgently needed for the completion of the Plum Island Animal Disease Center located on an island off the end of Long Island. This is the only laboratory facility in the Western Hemisphere that is devoted entirely to research on foreign animal disease.

The returns on investments made in agriculture research are very attractive, falling into the range of from 17 to 100 percent. The Inter-society Research Committee has identified the return on investment in swine research to be about 52 percent. This return is higher than for any other species of livestock. The paradox is that, although food from animals makes up more than 40 percent of the country's food supply, less than one-half of 1 percent of the value of these products is spent on research.

The eighties will require greater investments and risks on the part of the producer as he expands his operation and concentrates his number of units. We also believe our Government can be of greatest service to our industry by providing funding for adequate research, and by relieving us of the yoke of unrealistic, unnecessary, and excessive Federal regulations.

To those of us who were in the service of our country, the two "R"s meant rest and relaxation. To pork producers it means regulating the regulators. If I read the mood of pork producers of this Nation correctly, there will be no rest or relaxation among pork producers until the regulators are regulated. We solicit the aid of this committee to help us attain this goal.

We thank you very much, Senator Boschwitz.

Senator BOSCHWITZ. Well, you're going to be busy if you want to regulate the regulators. They're, indeed, a formidable group of folks, and I agree with your testimony. I was not familiar with the Plum Island Animal Disease Center located off the end of Long Island. I will look into it.

Mr. MOENNING. Senator, I can give you a little more information on that. I just came back from a meeting in Sioux Falls. Apparently, the contractor that was preparing this island for the research, defaulted on his contract and he just plain pulled out and left the island as it was. He got it completed to a certain extent. And, actually, it has gone into the courts. And now, due to the urgency of the need for this island as research, they gave this to another contractor and they in turn will send this bill to the original contractor. Now, this is going to hit the courts, I'm sure. So there's got to be some money appropriated here somewhere to finish this thing up so we do have it for research.

Senator BOSCHWITZ. We will look into it, and I want you to know that I am a supporter of agricutural research. Historically, in this country agricultural research has been done by the Federal Government and has been most most, most beneficial and has paid the kind of dividends that you've spoken about.

Mr. MOENNING. Well, I would like to thank you, Senator Boschwitz. You've always been attentive when we've been in Washington. We appreciate this very much.

Senator BOSCHWITZ. Thank you very much.

Delores, ready to go.

STATEMENT OF DELORES KIEHNE, MINNESOTA NATIONAL PORKETTE DIRECTOR, LANESBORO, MINN.

Ms. KIEHNE. Thank you.

Mr. Chairman, members of the Senate Agriculture Committee, I am Delores Kiehne, from near Lanesboro, Minn. Our family raises three major breeds of hogs which are sold as breeding stock, and these animals serve as our only source of income. I am Minnesota's National Porkette Director, chairman of the Minnesota Porkette Legislative Committee, a member of the National Porkette Executive Board, and currently serving as National Porkette Secretary-Treasurer.

I am here to testify on behalf of the Minnesota Porkettes, and sincerely thank you for the opportunity to bring to your attention issues

and concerns which will have a tremendous impact on the pork industry in the 1980's.

I would like to begin by asking two questions. First, where will our farm policy be decided in the future? By the State Department? By the White House? By the Department of Commerce? By consumer activists, or by Congress, with input from grassroots producers of food for the American consumer, where it should be? Second, will an inappropriate nutrition policy guide U.S. agricultural policy for the 1980's? Present indications from the U.S. Department of Agriculture (USDA) indicate that it will.

The past decade has seen the USDA evolve from an organization speaking for agriculture to an organization speaking on behalf of a minority of American consumers. USDA interest, programs, and policies can no longer be expected to take into account the concerns of U.S. farmers. This change is most clearly exemplified by the misapplication of nutritional issues to agricultural policy.

My comments today focus on four issues: Dietary guidelines; child nutrition programs; nutrition labeling; and nitrites.

DIETARY GUIDELINES

The dietary guidelines have been subject to continuing controversy. Both the House and the Senate have on many occasions considered their adequacy. The controversy has been fueled by a recent National Academy of Sciences Food and Nutrition report, which did not support USDA's cholesterol position.

The pork industry is greatly concerned with the apparent trend within the USDA to discourage red meat consumption. This trend can be seen particularly among USDA policies toward child nutrition and food assistance programs and human nutrition programs. We feel that USDA policies should be more responsive and supportive of the American farmer.

It goes without question that moderation of food intake is necessary to maintain ideal weight. Obviously, food intake must come from a variety of sources. However, we do believe that USDA's approach in implementing dietary guidelines has been unreasonable and uncooperative toward agriculture. The producers must be represented in formation of dietary guidelines which directly affect not only their livelihood, but the health and pocketbooks of the consumer.

The current revised USDA School Food Service Buyers Guide and Menu Planning Guide which has been distributed to States—and then locally—is unfavorable toward the red meat industry. Although USDA has not consented to review and revise both, these guidelines have already received wide public distribution. Implementation is required by fall 1981, and retractions at this point in time will have minimal effect.

The 1981 child nutrition bill passed the House on July 21, 1980; the Senate version passed the following week. We feel there is a continued need for child-feeding programs. Cutting back on school lunch funding jeopardizes the health and learning ability of our Nation's youth. We urge continued support of full funding of child nutrition programs for a nation of better fed and well-educated children.

A related concern is continuation of the commodity distribution system versus a cash-credit voucher system. Presently, the pork industry supports continuation—and constant review and improvement—of the commodity distribution system. USDA, however, needs to design better management systems to improve communication and delivery of products.

We believe the commodity distribution procedure has worked well to strengthen American agriculture as well as to supply our Nation's schoolchildren with nutritious food. We wish to impress on the committee the strengths of the commodity distribution procedure. It has provided stability to the food-pricing system and alleviated agricultural surplus. The economic situation of the American farmer must be considered. We produce nutritious food products for consumers and want to continue to do so.

Purchases this past year of canned pork and frozen ground pork by USDA are examples of how effective the current system of procuring commodities can be to help stabilize commodity prices and decrease market surplus. Forty-four million dollars worth of Minnesota products—including pork—were purchased this past year for this program. We thank USDA for making these purchases, and hope to be able to continue to provide quality products at fair market prices.

Nutrition labeling is another issue we wish to address. The pork industry advocates an effective approach to information distribution, and it is important to consumers that food labeling be truly informative, clear, and simple to understand. However, with the effect of continued inflation on our economy, it is imperative that all unnecessary costs to both industry and consumers be avoided.

We do not support mandatory nutrition labeling. We do support voluntary nutrition labeling.

In formulating food-labeling requirements, the USDA must provide estimates of the cost of label changes to manufacturers—costs which would inevitably be passed on to consumers. Any label changes should first be on an experimental basis. Piecemeal and repeated changes should be avoided.

We believe agencies should work with industry and consumers toward proper labeling at the lowest possible cost. In no instance should labels be permitted to state value judgments on the public health significance of product ingredients.

NITRITES

We are aware that the Senate Agriculture Committee has been concerned over the questions that the USDA and FDA have raised about the safety of using nitrites to cure meats.

Pork producers are also concerned and disturbed at the inept USDA/FDA review of research data. Costs incurred by the pork industry have been economically damaging and detrimental to the marketing and image of pork.

We are pleased that the National Academy of Sciences/National Research Council within the next 15 to 18 months, will undertake a thorough study and review of the nitrite issue. We hope all information will be objectively analyzed by the Research Council. It should

provide the basis for sound legislative and regulatory decisions in this matter which is of great concern to both consumers and producers.

The U.S. House Agriculture Committee will on September 16, 1980, review the nitrite issue. The National Pork Producers Council president has been asked to be present to offer information. We hope the Senate Agriculture Committee will consider the same approach. The pork industry strongly feels that this issue, which is of paramount concern, be given media coverage at least equal to the initial announcement that the use of nitrites may cause cancer.

In the future when another similar situation arises, we hope the USDA and FDA will react in a more responsible manner. American agriculture does not need another cranberry scare, hamburger scare, or nitrite scare.

The Minnesota Porkettes and Minnesota Pork Producers urge the Senate Agriculture Committee to consider these points as work begins on the 1981 farm bill.

We strongly believe that if these points are reflected in your committee's report, it would strengthen and stabilize the agricultural economy in Minnesota as we look ahead to the 1980's. The Porkettes and Pork Producers will cooperate with USDA and this committee in any manner on behalf of the pork industry.

Thank you.

Senator BOSCHWITZ. Thank you, Delores, and you touched upon the nitrite situation, which we mentioned before, and which Arno also mentioned, and some of the recent results in that area. But I thank you for your illuminiating testimony, both of you.

[Off the record.]

Senator BOSCHWITZ. All right. This is a one-member panel. That's all right. The poultry industry has been doing pretty well. I met with some turkey producers not too long ago and we're ready for you.

Mr. MUNSON. I understand you had one working in your office for awhile.

Senator BOSCHWITZ. Yeah.

Mr. MUNSON. Steve Peterson was there.

Senator BOSCHWITZ. That's right. He was good. Incidentally, we like that when we get—you know, we have young people come to Washington and also to our office here in St. Paul, and work as interns, and we encourage that. And we have had a number of people from the agriculture community.

STATEMENT OF ROY C. MUNSON, EXECUTIVE SECRETARY, MINNESOTA TURKEY GROWERS ASSOCIATION, ST. PAUL, MINN.

Mr. MUNSON. Senator Boschwitz, we are delighted that you have brought your hearings to our State and wish to thank you for the invitation to appear before your committee.

I'm Roy Munson, the executive sceretary of the Minnesota Turkey Growers Association.

Our organization has about 300 members in Minnesota, and just yesterday, I think, the release that came out from USDA is that Minnesota continues to hold the No. 1 position in turkey production with about 27 million turkeys grown in Minnesota.

The Minnesota turkey industry is changing from the seasonal production pattern to year-round production. Traditionally, we would start our poults in March, April, and May and market them in September, October, and November. The change from the New York dressed to frozen, ready to cook turkey permits us to slaughter at any time of the year and keep them frozen until such times as the consumer will use them.

The per capita consumption of turkeys is now about 10 pounds. And there's a recent increase we've seen in the last year.

In recent years the development of further processed products such as turkey franks, turkey ham, turkey rolls, turkey filets, and turkey parts has given more opportunity to market our products in convenient consumer size packs which is helpful for working mothers and smaller households.

The United States consumes about 400 million pounds of franks and the turkey industry is now manufacturing and selling 10 percent of that volume. We are also selling about 41 million pounds of turkey ham.

The turkey industry is focusing on the nutritional value of turkey and turkey products, which will give us further acceptance in the marketplace.

Turkey is high in protein and low in fat, making it an excellent meat for the diet conscious consuming public.

This change has provided an opportunity for our industry to move into year-round production. We are changing from the traditional range production methods to the total confinement grow out of programs.

We've changed from range production to confinement in permanently constructed pole-type structures, which gives us protection from weather and is much more labor efficient.

The 12-month production of turkey also requires year-round production of turkey eggs, hatcheries, and processing plants, thereby using more fully all phases of our industry. This provides the consumer with frozen and fresh products every month of the year.

However, our industry is not without its problems. In the fall of 1979, the adverse publicity that accompanied the polychlorinated biphenyl—PCB—of turkeys in Oregon caused a withdrawal from the consumption of turkeys across the country. Also, the recent detection of dieldrin in Missouri and Iowa turkey products caused the consumer to bypass the turkey in her meat purchases.

The turkey industry needs and must have an early warning system to detect these types of contamination along with realistic and practical methods of disposing of the products so affected.

Basic research that is federally funded is vital to the turkey industry. Appropriated funds which support research at the land-grant colleges also are necessary to seek and find solutions to disease and management problems which otherwise would not be investigated.

Here in Minnesota we are fortunate at having funds provided by our State legislature appropriations to the University of Minnesota.

From our own funds, the Minnesota turkey industry contributes approximately $180,000 per year toward practical research here at the university.

The constant threat to our U.S. poultry population from exotic Newcastle disease, which is from the illegal smuggling of exotic birds into this country, continues to loom over our heads. USDA must be granted adequate funds to enforce the laws relating to the importation of these birds and force them to enter the United States through regulated quarantine stations.

Now, I was interested in the Plum Island facilities that the pork industry was commenting about, that we were familiar just because there are a number of stations like this that the birds must enter legally if they're going to come into the United States.

Most of our turkey products are shipped to market by truck. None of us know what the effect truck deregulation will have on the turkey industry in marketing turkey and turkey products.

In these few minutes I have tried to point out a few of the highlights about our industry:

The need for Federal- and State-supported research, improved techniques in the early detection of contaminants and residues, which in turn will provide a wholesome product to the consumer, the constant threat of exotic Newcastle disease to the poultry industry, and finally the effect of truck deregulation, are all areas of concern to our industry.

Again, we thank you for this opportunity to appear before you.

Senator BOSCHWITZ. Thank you, Roy. You got into an area that I'm not very familiar with, and that is research in turkeys. And I will make an effort to get together with the turkey producers and, perhaps, some people up here at the university, and find out a little more about that.

And I'm not familiar with Newcastle disease and some of the other items that you mentioned. I'll make an effort to find out a little bit more about it.

Mr. MUNSON. Thank you.

Senator BOSCHWITZ. All right. Now, we have a U. of M. agricultural student panel. Charlotte Eberlein and David Ekman, Mary Ann—Mary Ann, you're going to have to help me.

Ms. GUADAGNO. Guadagno.

Senator BOSCHWITZ. Guadagno. All right. Ronald Larson and Gyles Randall. So come on up and we have enough chairs for you there, do we?

[Off the record.]

Senator BOSCHWITZ. All right. If you will introduce yourselves as you go along and just a little bit of your personal background. We are—we're ready. And speak close to the microphone there, Charlotte.

STATEMENT OF CHARLOTTE EBERLEIN, GRADUATE STUDENT IN AGRONOMY, UNIVERSITY OF MINNESOTA

Ms. EBERLEIN. My name is Charlotte Eberlein and I'm a graduate student in agronomy at the University of Minnesota. Any discussion on the future of agriculture cannot ignore the world food situation. In spite of considerable gains through such programs as the Green Revolution, world food production has not kept pace with the increasing population. The Presidential Commission on World Hunger states

bluntly that unless the United States and other nations act together to increase world food supplies, a global hunger crisis is likely to occur within the next 20 years. Today it's estimated that 450 to 500 million people suffer from severe malnutrition, and another 500 million do not get enough to eat. It's my own personal belief that the United States has a moral obligation to help developing nations increase their agricultural productivity and their standard of living. I just don't see how we can stand idly by and watch whole nations starve. But for those with a more pragmatic viewpoint, it's a simple fact that waging war on hunger is good business for the United States.

The May 19 issue of U.S. News and World Report points out that agriculture, with its assets of $790 billion in 1979, is the Nation's largest single industry, and directly or indirectly employs one out of every four people in the country. The United States is the world's largest exporter of agricultural products and this export trade is vital to our balance of payments. America, indeed, is the breadbasket of the world, and if we are to keep our foreign markets open and look toward expanding world markets, then we must have stable foreign governments to deal with. So, since famine and political unrest go hand in hand, it's in our own best interest to take more seriously the task of helping developing nations increase their agricultural productivity.

Now, if we are going to take our best interest to heart, and work on increasing agricultural productivity in developing nations, then we must have a means to do so. The research effort required to increase our productivity, as well as that of other nations, will require an increase in the number of trained agricultural professionals. And it's this need for qualified people that is one of the most critical issues facing agriculture in the future. Just to cite a few examples: our current need for ag educators is three times greater than the available supply. And we have a critical shortage of Ph. D's in such fields as ag engineering, ag economics, agronomy, and veterinary medicine. In fact, a survey by the department heads in the north-central region shows that at the current levels of enrollment we will not even graduate enough Ph. D's to replace retirees over the next 20 years.

In order to help alleviate the shortage of qualified people, the Federal Government needs to adopt a system of fellowships and traineeships, such as programs that are available in the medical field, to help encourage young scientists to enter the graduate study in ag-related fields. At the same time, we need to continue our support for undergraduate programs so that we can maintain the quality of education at this level as well.

Waging a systematic war on hunger will also require an increase in funds for research. Federal funding for agricultural research has decreased in terms of real dollars since 1967. And this has occurred in spite of the fact that the returns on investment for agricultural research are high. In Minnesota, for example, the expected 1979–80 returns for corn and soybean research are 31 to 32 percent, and these figures indicate to some economists that too little money is being invested in ag research.

Now, I realize that this is a time of tax cutting and budget balancing frenzy, so I would like to point out just a few more figures. It's

been estimated that a family of four with a moderate income could save $26.94 on taxes if the Government initiated a long-term cutback in ag research, but at the same time the family's food bill would increase $162.90. It's clear then that money spent on ag research benefits the consumer as well as the producer.

In the final analysis, what it all boils down to is that since the Nation benefits from agriculture through balance of payments and through such things as reasonably priced food, it's the Nation's business to support agriculture.

In terms of the future of agriculture for this country, well, when you consider the world food situation, and the fact that our greatest natural resource is our agricultural productivity, then the future of agriculture seems bright; but unless we have a means to keep this productivity high, to keep foreign markets open, and to keep foreign governments stable, then the realization of this bright future is unlikely.

Thank you.

Senator BOSCHWITZ. Thank you. Thank you very much, Charlotte. I certainly agree with your emphasis on agricultural research and also your emphasis on helping other nations develop the productivity. The figures, the hundreds of millions of people around the world who are going to bed hungry, as they sometimes say, are very alarming and distressing and have some very long-term implications with respect to political stability as well.

All right.

STATEMENT OF RONALD LARSON, STUDENT, AGRICULTURAL AND APPLIED ECONOMICS, UNIVERSITY OF MINNESOTA

Mr. LARSON. Thank you. My name is Ronald Larson. I am a senior in agricultural and applied economics at the University of Minnesota, St. Paul.

After reading the written statements from other panel members and listening to part of yesterday's testimony, I decided to expand on some of the points I made in my written statement rather than read it.

All of the other members of this panel wrote about a need for more agricultural research. I agree that more research is a continuing need, but ignoring a way to diffuse this information is a mistake. Supporting research alone means having great ideas gather dust on library shelves unused. I see four ways that new developments can reach farmers. Farm magazines spread some information but lack the space to completely describe new technology. Agribusiness firms conduct about half the agricultural research but they are out for their own gain and only spread information from their own perspective. Agriculture graduates often bring home new ideas but changes are slow because costs are high, risks are great, and understanding is often lacking. Good extension programs are necessary to diffuse new research results and answer questions.

In my written statement I discuss some of the problems that Minnesota's extension programs are having: Low salaries, position cuts, and insufficient publication funding. A recent study estimated that

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dollars invested in extension returned 110 percent annually. The average voter does not see this return, but the benefits to society are enormous.

Research also has a high return to society. A recent estimate put the annual return to agricultural research dollars at, roughly 50 percent. This high return suggested more research dollars will generate returns greater than almost any other investments. However, if we count up research benefits, the costs should also be explored. Research has made farming more mechanized and increased energy use. Machines have saved labor and allowed for greater farm concentration, thus forcing numerous farm families off their land. We have also begun to recognize environmental problems that past research has ignored. A reorientation of our research toward these and other problems is going to take dollars. Research cuts now will cost us plenty for many years.

Recently, expenditures on agricultural research have declined in constant value terms. This has forced a trend toward more applied and less basic research. The benefits from discovering "whys" are not as easily seen as the benefits from learning "hows". However, the gains from applied research will start declining unless more basic research is encouraged. These two areas tend to complement each other.

Charlotte has just alluded to the great need for agriculturists in the next few years. I believe that young people are considering job prospects more than ever when they choose careers. The doubling of agriculture enrollments in recent years show this trend. However, in the same time period, the dollars received by agricultural schools have declined in real terms. The quality of education that I and others have received has declined because of those cuts. Considering the increases in complexity of agriculture and the needs for more graduates, this was a step in the wrong direction.

I point out in my written statement that all three areas—research, teaching, and extension—need each other to optimize their effects. Increases are needed in all three to keep agriculture's future bright. However, that does not seem to be happening at the University of Minnesota. This last week our State government's budget problems have forced a cut of over $14 million from the university's budget, or over 2 percent of their entire revenue. Over the last few years there have been numerous budget cuts, and this one is really going to hurt. The effect on agriculture in Minnesota is going to be quite substantial.

Cuts of 16 to 18 percent are being discussed for our agricultural extension and experiment station budgets. Teaching, research, extension, and support services are all going to be cut. In light of the enormous needs I have already outlined, these cuts are going to be especially harmful, both now and for many years to come.

If research, teaching, and extension are all increased in a package, I believe agriculture's future will be bright. We have the technology and ability to prevent Malthusian disasters, but, apparently, we're unwilling to find the necessary money. Hopefully, this committee can help generate concern and brighten agriculture's future.

Thank you, Senator.

Senator Boschwitz. Well, Ron, let me comment a little bit. I don't disagree with your conclusions. I must tell you that I—you know, I

happen to be quite a fan of agricultural research because I think that, as I stated at the very beginning of this testimony, that agriculture is really the base of the American economy. And the good Lord put our real estate, and as you heard Secretary Butz say yesterday, if you were at the hearing, just at the right place with the adequate amount of rain and fertility and so forth, so that, indeed, we—if the amount of Malthusian type of disaster is going to be diverted, it's going to be because of our productivity. And right in the middle of our great productive areas they've bisected it with a river that prevents—that allows us to ship things to market.

As a Senator, I have to honestly tell you that I hear absolutely everybody coming and testifying and saying that this program brings about great returns, whether it be programs that you might agree with or not. And we have great, great problems in determining priority of spending. Again, I'm a fan—and everybody also says that in real terms the money we've received has gone down. We need more money. And I believe in the process of this spending we probably are going to make the real term growth that much harder. So in balancing the idea of stopping the—the really spiral of inflation.

You don't remember the 1950's and 1960's, but during the 1950's and 1960's this country had a rate of inflation of somewhere around 2 percent. And there's no reason in my mind why we can't return to something close to that, but it's tied to the expansion of Government.

In prioritization of my views, agriculture is high, but I want you to know that in the prioritization of my views the idea of overcoming inflation is equally as high. But, I appreciate your testimony and I will—I will read the entirety of it.

All right. David.

STATEMENT OF DAVID EKMAN, STUDENT, UNIVERSITY OF MINNESOTA AT CROOKSTON

Mr. EKMAN. Senator, my name is David Ekman from Argyle, and I'd like to say that these points in my testimony are my ideas that I feel as a student going to the University of Minnesota at Crookston. My background includes being brought up on an average-size farm in northwest Minnesota. I spend my summers working for my father and helping him operate and manage the farm. He has instilled in me the importance of responsibility and management involved in today's modern business of farming. It is for this reason I decided to continue my education in the field of agriculture.

I think the need for a good education is especially important in the 1980's. New advances in all phases of agriculture make it imperative that young people must be prepared academically in order to ensure adequate food production for the future, both for farmers and ag-support industry and research. This means there must be increased funding in two areas: (1) research, and (2) education. Both of these are essential to agriculture.

I believe research is the most important aspect in keeping up with the increasing advances in today's world. Money spent for research often pays for itself in dividends. In order to keep up with the world's rising population, more funding must be made available to the re-

searchers. Research helps the farmer in many ways. Tests are being conducted in such areas as soil fertility, chemicals, livestock, farm machinery, new crop varieties, methods of fertilization, and many others.

When only 5 out of every 100 persons in the United States make their home on farms, one can see the importance of making the farmer's land produce the most productive amounts of food possible.

Even though the United States is one of the most efficient producers in the world—the American consumer only spends 17 cents of every dollar for food—continued research is still needed. Someday there may be a real serious food shortage in the United States as well as the world, and plans should be made now to prevent this. We are an advanced Nation and in no way should be caught in a potential situation like this unprepared. Research for this public concern should be funded by the Federal Government along with private industries, but not by one of them alone.

Like research a good agricultural education can pay for itself many times over. But there have to be enough qualified teachers available in order for the students to get a proper education. Every year men and women graduate from college with teaching degrees in agriculture, and every year they have their choice of job openings. But there are more job openings than can be filled. A lot of these graduates don't even teach. They go to other areas like co-ops and government jobs, chemical companies, farming, and banks. And this is fine. I think one reason they don't teach is because the graduates feel there is a better chance for advancement in industry rather than in academics. This shouldn't always be true.

I might mention I feel fortunate to be going to an agricultural school located in the heart of a rural farming area. The University of Minnesota Technical College at Crookston is a 2-year school and is a branch of the University of Minnesota.

Another area where I see a need for concern is in estate transfers. There should be equitable laws for transfers of estates. The estate taxes an heir has to pay to the Federal Government are so high that there is a discouragement rather than an incentive to carry on the family farm. Passing on the farm should not cause such a burden. Sometimes people have to sell some of their land just to pay the taxes. And this hardly seems fair when a farmer works all of his life to acquire land and make a profitable return from it.

With big cities and industry expanding the way they are, the amount of farmable land lessens every year. This makes preservation of prime farmland essential for the future. Water and soil management are also an essential part of land preservation. Agriculture is not receiving its fair share of planning and funding to better utilize our water resources in addressing flooding, irrigation, and erosion control. Certainly, some of these projects must utilize Federal dollars, but I think these dollars would go much further under State control of priorities and project development.

A good example is in our Red River Valley, where almost annual flooding affects up to 1 million acres of choice farmland. Even after 30 years of Federal studies, nothing significant has been accomplished.

Soil erosion continues to be a problem in many areas. Federal allocations must reach the affected areas to ensure treatment measures. May-

be an incentive program would best fill this need. As an example, earlier I talked about estate tax revision for passing on the family farm. If a farm that employed a full conservation program were exempted from estate taxes, a farmer's incentive for conservation would certainly become real.

In closing I'd like to say the challenges in agriculture are greater than they have ever been. The outlook for the forseeable future is one of growing shortages in many fields. I urge you to address future needs of agriculture now, rather than waiting for a food crisis.

Thank you very much.

Senator BOSCHWITZ. Thank you very much, David, and you certainly have touched upon a range of problems, a number of which I've been involved in. The first bill that I got on to when I went into the Senate was removing the carryover basis for capital gains treatment. Because what would happen, if you were to inherit the farm of your father, he was able to pass it on to you. And I agree about the estate tax laws and I've been active in trying to get them totally rescinded as far as I'm concerned, but that's not going to happen. But if you inherited some land and you had to pay estate taxes and so you said we're going to sell 80 acres, you would have to pay not only estate taxes but a capital gain based on the value—the basis of your father's holdings. In other words, if he paid $100 an acre for the land some time ago, you would not only have to pay estate taxes on the $2,000 an acre it's worth now, but when you sold it you'd have to pay capital gains taxes as well. We got that taken care of.

And you've hit upon very many problems, not the least of which is the flooding of the Red River Valley, the erosion that results. We've held some hearings—I've joined Senator Jepsen down in Iowa on some hearings on soil erosion and soil conservation, and I know how frustrating it is that year after year that happens. And the Corps of Engineers, I think, has been studying the problem 70-odd years. And, hopefully—I've talked to Congressman Andrews, who's the probable next Senator from up that way—and, hopefully, we're going to be able to find a way where water can be held so those disaster kind of floods that remove so much of the topsoil, that is so damaging to one of the most fertile areas in the world, can be mitigated.

Thank you. Incidentally, are any of you five considering going into the teaching of agriculture? You are? You are, too, Charolette? Good.

Now, we've got to Mary Ann. Say your last name.

Ms. GUADAGNO. Guadagno.

Senator BOSCHWITZ. All right. We've heard from the students; now we'll hear from the faculty.

STATEMENT OF MARY ANN GUADAGNO, ASSISTANT PROFESSOR, FAMILY SOCIAL SCIENCE DEPARTMENT, COLLEGE OF HOME ECONOMICS, UNIVERSITY OF MINNESOTA

Ms. GUADAGNO. I'm Mary Ann Guadagno, assistant professor in the family social science department, which is in the College of Home Economics at the University of Minnesota. I'm here, actually, to represent the concerns of the college of home economics. In terms of my own professional plans, I want very much to continue in academic

teaching and research at the university level and I specialized in the areas of family finance, family economics, management and research methods, so if my testimony sounds a little bit proresearch, you'll know why.

My critical concerns for agriculture in the 1980's, basically stems from the premise that home economics and research have had a tradition of working together. I hope to see this relationship, a rather—a rather symbiotic relationship, continue in the 1980's. Why? Well, basically, family economics research is vital for progress in both basic and applied research in every day family life; not the atypical situation, necessarily, but your family, my family.

The American family is presently faced with unprecedented social, psychological, and economic change. The stresses of inflation, energy shortages, nuclear waste, volcanic eruptions, unemployment, inflation, increasing teenage pregnancies, divorce, remarriage, relocation, retirement, aging. The problems facing families is endless, but we really have to attempts to deal with them if we, in fact, can attempt or even begin to realize a better life for the majority of Americans.

The need for research to identify, describe, and explain social, psychological, and economic stresses affecting rural Americans, can't be overstated. Historically, the USDA has had a pattern of funding both agricultural research and research in nutrition. We can't any longer afford to examine agricultural production and nutrition, however, as separate from the families who provide the basic resources for production.

The stability of agricultural production depends in part on worker efficiency. We're well aware that when personal and family problems arise, a worker's productivity declines. We aren't as excited, enthusiastic, happy, and can't do as adequate a job. The link between the efficiency and agriculture and home production is, obviously, complex; however, I do believe we have to consider the interrelationships, families working with agriculture and in agriculture if we are truly to succeed in achieving a better quality of life.

In the written testimony I had a brief quote from Margaret Mead, a scholar whom I deeply admire, an issue in the December 18, 1974, lecture. Margaret, who is, indeed, an anthropologist, not a home economist, stressed the need for agricultural sciences and home economics to work together. She said, very briefly:

> Agricultural studies should not end when food leaves the harvested field, and home economics cannot begin with the study of nutrition as a esoteric biochemical discipline.

We need to teach families how to deal with family economics and management, how to use available foods, cook to preserve nutrients, feed them to children attractively so that, in fact, they'll eat them, plus a lot of budgeting skills, food preservation methods, and so on. I would add to that list skills such as decisionmaking, problem solving, planning and implementing, especially with an increase in women working. Terribly important to provide families with a satisfactory quality of life.

Quite briefly, I will just outline, as I see, in terms of needs for research: No. 1, we have to improve our understanding of social, psychological and family economic problems. We can't look at them as

separate parts. Second, we have to look at interrelationships between family and agricultural systems, as I've already stated. We need to utilize rigorous methodologies in our design and conduct of research. And I would agree with something our students just said, about the need to not let our research findings be set aside into scholarly journals, but they must be disseminated to the public in everyday language that people can understand and use.

We are home economics—in terms of research, I've briefly outlined, citing from the 1976 Home Economics Research, Assessment, Planning and Projection Reports, where they identified, approximately, 258 major problems in the area——

[Off the record.]

Senator BOSCHWITZ. Well, I must tell you that I was warned if we did it outside we would run into these kinds of problems, and I must ask you to really summarize your statement.

Ms. GUADAGNO. I don't have very much more to go, if you want me to attempt to summarize.

Senator BOSCHWITZ. OK.

Ms. GUADAGNO. Very briefly, there's essentially five areas in home economics where we see need for research. One is in the area of human or family development; second, consumer economics and family resource management; third, individual and family environment such as housing; fourth, obviously, food and human nutrition; and finally, consumer—in community services.

In a decade marked by economic uncertainty, the pursuit of research with intent to prevent family breakdown and improve quality of life seems essential. To insure efficient agricultural productivity it seems we need to insure greater worker productivity. We need to understand, quite briefly, and finally, why families experience difficulty carrying on with farm life and life in rural communities, and what factors mark the differences between those families that can successfully cope with problems facing Americans, and those who cannot. It seems time to lend more support to this line of research, whose benefits are, admittedly, difficult to measure in monetary terms, but, indeed, will facilitate the continuation of both agriculture in family life in rural America.

I'll close with that, Senator Boschwitz.

Senator BOSCHWITZ. Thank you. Thank you very much. And while you have touched upon an area that is somewhat different, Mary Ann, than what we've heard during the course of the morning, I certainly agree with you, and I'm also a great admirer of Margaret Mead.

All right. Then we ought to go on. Gyles.

STATEMENT OF GYLES RANDALL, SOIL SCIENTIST AND PROFESSOR, SOUTHERN EXPERIMENT STATION, UNIVERSITY OF MINNESOTA, WASECA

Mr. RANDALL. OK. Senator Boschwitz, my name is Gyles Randall. I'm a soil scientist and professor at the University of Minnesota, Southern Experiment Station at Waseca.

It is, indeed, a pleasure to comment on this topic, "The Future of Agriculture in the 1980's." I will try to be brief and try to also paraphrase my written comments in the interest of time. My main interests

are in production agriculture. Research areas include soil fertility and planned nutrition, tillage and soil management and the environmental aspects of crop production; thus, my comments will be addressed from that perspective.

The challenges facing agriculture in the next decade, the 1980's, are both awesome and fast—vast. A key question for your group as the Senate Agriculture Committee and for us as young people is this question: How do we feed an improved diet to an expanding world population in the face of dwindling petroleum supplies and increased energy restrictions, without degradation of the environment? That involves four areas of direct concern to both rural and urban America: the consumer, the producer, the energy areas, and the environmental areas. Obtaining answers to this question will take substantial efforts from many people and from young people like ourselves and may involve our total—total work efforts in our positions.

In the past we have identified some major areas and breakthroughs responsible for improved yields and improved production. At the present time I do not see any of these specific areas on the horizon. It is only through fine-tuning, improving and combining what we already know with the additional and substantial basic research that we will continue to improve our production.

Some areas of direct concern to me—and I will just outline them because they appear in more detail in the testimony—are the improvements of efficient use of nitrogen and phosphorous, fertilizers and nutrients with reduced environmental contamination. How can they best be supplied and used without polluting our ground and surface water? A real important point for both urban and rural America. Second, to eliminate excessive soil erosion while optimizing crop yield. We've already discussed this, but it is a fact that intolerable levels of soil erosion is—are occurring in our country. How can we modify current crop production methods to minimize erosion, yet guarantee productivity? Third——

Senator BOSCHWITZ. Do you have any—you state the problem there. Do you have anything you can send me with respect to how you would undertake that?

Mr. RANDALL. Yes, I think we do. While we are approaching it from a research standpoint, we feel that we have a long ways to go in both the research and also the extension and the educational phases of it. I will be glad to send that to you.

Senator BOSCHWITZ. The hearings that I held and attended together with Senator Jepsen down in Iowa, where they have a particular problem in that regard, and if you have some information about Minnesota, I would be very pleased to have it.

Mr. RANDALL. I would be happy to do so.

A third area would be to improve the efficiency of symbiotic nitrogen fixation. Approximately a third of our input energy into crop production is consumed through fertilization. If we can improve strains of bacteria in the soil or the host plant so that more nitrogen is fixed in the soil by biological means, rather than supplied by chemical means, this will be truly a real improvement in our future agricultural production.

Fourth, reduce energy consumption in agriculture production. Will less energy be consumed by improved fertilization methods, such as

crop rotation manure, or are we going to have to resort to reduced or no tillage, solar drying, biological pest control, or other areas? In what areas can we make the greatest gain? I guess after we outline those four areas, from my perspective, the question then faces us: How will we meet these challenges in the 1980's?

First and foremost, agriculture research will need continued and increased financial support for both the training of researchers and for the research itself. Research is expensive, even agricultural research, especially in inflationary times. However, the investment track record in agricultural research is quite good. And this investment must be continued at an even greater level of emphasis and intensity if fewer people are going to attempt to feed a greater world population in a very complex world market.

I just mentioned, and it has been mentioned by Ms. Eberlein, that we are approaching a time when the demand for well-trained replacements will be extremely competitive in the 1980's as our current researchers retire. Therefore, funds are needed to support training of researchers. I seriously doubt whether there will be sufficent numbers of qualified replacements in the next decade. I see few graduate students getting their training in applied and production agriculture; still fewer have a farm background or any agricultural experience.

In summary, the United States of America can't possibly meet the aricultural challenges of the 1980's; to say nothing of the 1980's and the future, unless financial support is guaranteed to provide these resources so necessary to accomplish these tasks.

Thank you, Senator.

Senator BOSCHWITZ. Thank you very much, Gyles. I believe I have addressed myself to research, and I thank you for your testimony, and I will read it in its entirety, though you have outlined it quite well.

Thank you, Charlotte, and Ron, and David, and Mary Ann, and Gyles. Thank you very much.

Can the people sitting out there hear us well enough?

[Off the record.]

Senator BOSCHWITZ. We next are going to have a 4–H panel. And I know Dion Harste, he was down in Washington; and Debbie, I don't think I've met you before, have I?

Ms. TERBEEST. Last year in Washington, once.

Senator BOSCHWITZ. Washington, too? A lot of 4–H kids come down to Washington, and I try to spend a good deal of time with them.

Ms. TERBEEST. I'm Deb Terbeest from Spring Valley.

Senator BOSCHWITZ. Deb, you're going to have to speak very closely into this. Couple of them. There we go.

Ms. TERBEEST. I believe that farming is the backbone of America——

Senator BOSCHWITZ. Introduce yourself again, Deb.

STATEMENT OF DEB TERBEEST, SPRING VALLEY, MINN.

Ms. TERBEEST. I'm Deb Terbeest from Spring Valley. I live on a 240-acre dairy farm.

I believe that farming is the backbone of America, and sometimes it seems that everything evolves around the farmer. Although we are constantly speaking of farmers having a tough time making it, I look

forward to the future of farming just as a true farmer would with an optimistic view. Instead of complaining about the views, we should bring them forth so people can find out what actually is going on.

I don't like to think of the future of farming as it has to get better because how could it possibly get worse. We have to keep in mind that today's accomplishments were yesterday's impossibilities. If we just look at the surroundings right now, we are sitting in the middle—we are sitting at the middle of today's advanced technology in agricultural mechanics. It's almost mindboggling to think how far we've come. The cost of this machinery can range from $50,000 to $100,000. When the price of raw materials goes up, the manufacturer can easily raise his prices; but, unfortunately, that's not true for the farmer. When our prices don't rise and the manufacturer's do, it's almost impossible to afford their products. There has to be a way to stabilize prices so everyone is able to make a living at it.

The number of farms is decreasing every year. Since 1950 the number of dairy farms has dropped one-third in number. What amazes me is that even in this decline, the average cow is producing 220 percent more pounds of milk than what it was in 1950.

It's not so much the cows are getting better; it's that the farmers have the intelligence and the know-how to increase in their production and keep striving for the very best. They know they have to keep up with today's modern technology. If a farmer left agriculture for 5 years and decided he wanted to come back, he would have to take a refresher course to be able to make it.

I'm proud to be speaking on behalf of the people who take pride in working hard and taking risks. We count our blessings because we have to rely on so many things that aren't materialistic.

People are the keystone of agriculture and people have unlimited power and potential. We have to put up with the boycotting of so many prices, the power of the press, and the people who call themselves environmentalists who want to have our workable soil turned into a source of recreation for themselves. What they don't realize is that this is our environment. We have to keep the affairs of the agriculture people in the hands of the Agriculture Department.

The farmer has to be able to be an engineer, an electrician, a veterinarian, a draftsman, and a countless number of other jobs. All we are asking is for your support in what goes on in our decisionmaking toward the future of agriculture.

I guess what it boils down to is that a little bit of you and a little bit of me adds up to a lot of us, and if you believe in me and I believe in you, then we've got very little to worry about. And we do believe in you.

Senator BOSCHWITZ. Well, thank you very much. You know, in your testimony there, toward the end, you told me why "I find farmers so interesting because they're"—because you said they're a little bit of an engineer, electrician, veterinarian, draftsman, accountant, and they're very, very—a farmer is, and the farm family is—just crosses a very broad range of interests and abilities, and I think it's one of the things that makes farming such a challenge for people and such a—such an interesting thing. And there's no question that, as you've heard me say during the course of this, this hearing, and as I have said for the last

2 days at two other rather long sessions, longer than this, as a matter of fact, that agriculture is at the very, very base of our economy. Every State like every nation has a balance of payments, and the balance of payments in the State of Minnesota very, very clearly are dependent upon agriculture. And the reason that the balance of payments are so good, so to speak, and why Minnesota is such a productive and economically successful State is it's our ground, it's our Earth, and it's the people who till that Earth that have done so much for us.

All right. Dion. We met—I met Dion—when were you in Washington? It must have been 6 weeks, 8 weeks ago.

Mr. HARSTE. Four.

Senator BOSCHWITZ. Four weeks ago?

Mr. HARSTE. Something like that.

Senator BOSCHWITZ. And speak right into the microphone. But when 4–H'rs come down to Washington, and other youth groups as well, I like to spend a good deal of time with them because I just gain a great deal from your presence.

[Off the record.]

Senator BOSCHWITZ. OK, Dion. Hit it.

STATEMENT OF DION HARSTE, VICE PRESIDENT, STATE FEDERATION 4–H, APPLETON, MINN.

Mr. HARSTE. OK. I'm Dion Harste.

I'm State federation 4–H vice president. My dad farms 1,200 acres in west-central Minnesota, and we together——

Senator BOSCHWITZ. Get real close.

Mr. HARSTE. We together farm 1,200 acres in west-central Minnesota. I'm a young man who's reaching the age in my life when I've got to make a very important decision. A decision on my career choice and what my life is going to be. This decision for me has been very natural because I am a farmer. I am a man of production agriculture. But like any young person entering this time in his life, I've got to ask myself four questions, which any young person should ask: Can I get into this field? Can I do the job? Can I make a living at this job? And, what does the future hold in store for this job? In answering those questions for production agriculture I found I—often when I got done with these questions that there came up a thing that there's a problem to be solved in each of these questions.

First of all, can I get into this field? I am one of the few lucky ones. My father owns a farm, which his father owned, and the father before him. And my older brother chose a different career choice in order that I can take the farm over when my day comes around. But how does a young man get into this field that doesn't have a father or grandfather or uncle with a farm? Where does he get the money to buy land at $2,000 an acre and even a lot more at a base price? Where does he get the land to even rent when there's no land available? And these are just a few things facing the young man who wants to get into agriculture. It's almost impossible to get a loan at 13-percent-interest rate and keep your head out of water, or even get out of deep water. So this is a problem to be solved.

Can I do the job? Myself, I'm lucky again, for I have a father in front of me that showed me how to farm, how to live with style, how to—how to make something out of nothing. But how does a young man who comes from a city and really notices the farm life and enjoys it, how does he get into farming? How does he learn how to do the job? Again, another problem to be solved.

Can I make a living at this job? Can I look at home—I look at the cost of production compared to what the market price is and I see that it isn't always a really moneymaking ordeal. I m not going to make a million farming. I haven't known anybody to do it yet. But I know that if I can just break even, together we can solve this problem, too.

And what does the future hold in store, is a problem that together, me and you, all the rest of us can solve. But things such as the world population growth coming on, things such as the political use of our grain commodities, embargoes and such, what does it hold in store? Is agriculture going to hold a bigger part in political life? Is it going to be a bigger thing or are we going to be reduced some more? It's one thing we have to ask before we go into the field of production agriculture. Another problem to be solved.

I think together, Mr. Boschwitz, with people that have already talked before me, and the ones to come and talk, I think together we can make—solve all these problems, together we can find a way to make production agriculture and agriculture in general a better life. Thank you very much, Senator Boschwitz.

Senator BOSCHWITZ. Well, I agree that not only can we together, but we must together find a way. The only real question mark that we can't deal with you've brought up is how the politicians are going to treat the business of agriculture tomorrow, next year or—and they have not treated it with very even hands, and most often have sought short-term political gain rather than having a long-term outlook for agriculture, which involves the world population problems, the research problems that were addressed by the panel before you. But, Dion, I—you are, indeed, fortunate to have a father, and I will do everything within my power to see to it that farming remains stable enough that one day when you have a son who is in a similar situation, that it will continue to be possible that a farm can go from father to son or daughter or son-in-law and that the basis of the family farm remains in this country, because really I think that's the keystone to our productive abilities.

STATEMENT OF STEVE CENSKY, JACKSON COUNTY, MINN.

Mr. CENSKY. Good morning, Senator Boschwitz. I'd like to introduce myself. I'm Steve Censky, former president of the Minnesota 4–H Federation. I come from a small farm in Jackson County, where I'm involved in livestock and crop enterprises. And I'm also a student at South Dakota State University in Brookings.

I'd like to say that it's truly a great honor and privilege to be here this morning to represent the over 62,000 4–H members in the State of Minnesota and to speak on the future of agriculture in the 1980's.

"The Future of Agriculture in the 1980's," that's a big topic which one can hold with different viewpoints. One viewpoint is that every-

thing is going to be just peachy keen in the coming decade and that everything is going to be turning up roses. Another viewpoint one can hold is that of a pessimistic attitude——

Senator BOSCHWITZ. Corn. Corn. Everything's supposed to turn up corn.

Mr. CENSKY. Corn. We hope so.

Another viewpoint one can hold is that of a pessimistic attitude in which one thinks being involved in agriculture is like fighting a losing battle and there can no longer be any real rewards or pleasures drawn from it. This idea of not getting real rewards or pleasures from being involved in agriculture reminds me of a story I once heard about a farmer who was seen walking down a city street limping. His friends asked him why he was limping and he quickly replied that his boots were too tight. Then his city friends asked him, "Well, why don't you just get a bigger pair of boots?" But the farmer quickly replied again that after getting up at 5 o'clock in the morning to do chores, after chasing the cows that broke through the fence, after fixing the fence that the cows broke through, after shoveling corn out of the bin on a 100-degree day, after stopping the kids from fighting, and after being nagged by his wife because he got in from chores too late to go visit his mother-in-law, taking his boots off and putting his feet up at night was the most pleasurable thing that he did all day.

Senator BOSCHWITZ. I'm not sure we're going to be able to address all those problems. [Laughter.]

Mr. CENSKY. Finally, there's a viewpoint which is a mixture of the two I've just described. I believe that Charles Dickens said it best in his book "Great Expectations," when describing England in those days when he said "It was the best and it was the worst of times." It is the best of times. Surely, this does describe agriculture in part today and in the future. Agriculture is America's No. 1 industry. The agriculture industry in Minnesota generates an annual income of approximately $5.5 billion, and 30 percent of Minnesota jobs are ag related.

It is the worst of times. Surely this, too, does describe agriculture in part today and in the future. Since June of 1975 the price of a medium-sized combine has gone up 74 percent. The price of a PTO baler has gone up 55 percent, diesel fuel has gone up 150 percent, hired labor has gone up 49 percent, and there seems to be no end in sight for upcoming escalations in the near future. You see, it is the best and it is the worst of times. But let me move on and discuss some of the issues that I as a young person very interested in the future of agriculture see facing farmers and ag business people in the 1980's.

Inflation. Inflation is one of the biggest problems facing farmers today. The price of land has risen so high that in order to get started in agriculture you must either buy or inherit the land from dear old dad, or you can have already approximately three-quarters of land already paid for and in full operation in order to begin to pay for another 160 acres, or possibly the easiest route is to marry a rich farmer's only child and then jump right into the program. I'm still looking for that last chance. But it's not only the price of the land——

Senator BOSCHWITZ. Have you talked to Deb? [Laughter.]

Mr. CENSKY. But it is not only the price of land that has gone up, but also the price of machinery, fertilizer, feed components, and other supplies needed to carry on in the farming operation. This inflation could be handled if the prices received by farmers also went up by the same degree, but this is not the case. Prices paid by farmers for input rose 54 percent between June of 1975 and June of 1980, while prices received by farmers only went up 24 percent during that same time.

Another issue facing agriculture in the 1980's will be education. President Carter once said, "The heart of our democracy, as you well know, is universal, strong, free public education." Yes, we have done a good job in educating our youths in high schools, and in a later extent, in universities and colleges across the Nation, but that good, onetime good job is becoming less and less of a good job all the time. Enrollment in the college of agriculture has doubled in the past 10 years, but there have been cutdowns on staff, cutdowns on extension funding, and cutdowns on research and development while the budgets have been clipped.

School budgets have been manipulated enough where they can no longer surge ahead in production and scientific knowledge, and I believe that is a terrible misfortune, because with the help of science-power technology such as chemical fertilizers and hybrid plant genetics, productivity on U.S. farms has soared 40 percent since 1940 while productivity only rose 30 percent in the 160 years prior to 1940. That 40-percent gain in productivity in 40 years would not have been possible if youths would not have surged ahead in research and development, but today the funding for this kind of research is becoming hampered because colleges can no longer bear the burden of less and less money. They need outside support both from government and employers. We need sharp people today to deal with farmers, because farmers are themselves, businessmen, and college graduates. One can no longer be just the good old Joe that everybody likes. When dealing with farmers, one must have a broad background, be knowledgeable on current and future research development, be highly trained, and, yet, still be the good old Joe that everybody likes. Those are tough shoes to fill but I believe it can be achieved.

These are just a few of the problems I see facing agriculture in the 1980's. There are other problems that demand just as much attention as these, such as transportation, energy sources, chemical restrictions, and others that must be dealt with in order for agriculture to flourish in the next decade. However, I do believe that agriculture will flourish. And I believe that Paul Harvey said it best in one of his commentaries when dealing with the American farmer and the problems he is facing when he said,

> This past decade we have found ourselves searching for fuel. Future decades may find themselves searching for food. Let us hope that the American farmer is more generous to us then than we have been with him.

I agree with Paul Harvey in his assumption that the world will be searching for food. Today the current population in developing countries is, approximately, 3.3 billion, but by the year 2000 that population may reach 5 billion. To feed these people, annual production must increase dramatically and emerging technologies may play a significant role.

In the future I believe that commodities must work together in a joint effort in order to solve some of the marketing problems facing commodities. For example, I anticipate a great future if the makers of corn oil and animal fats would join together, instead of one being pitted against another. And the same holds true for the commodities such as margarine, butter, and many, many more.

In the future we'll need more Government help in the areas of research and development, but at the same time we must help ourselves, which means producers putting money into research and marketing. In the future employers must be willing to make contributions in the fields where they might benefit. That could be either their own projects or supporting vocational school programs, colleges, and universities. After all, the people that those employers might someday hire are only as good as the institution they come from and the training that they received.

And, finally, I believe that Government must offer more internships for students to grow and learn. Government must also reassess its values when hiring for these positions, because in the past it has been traditionally done on academic performance, academic records, instead of on past accomplishments, past achievements, past experience, opportunity for growth, and future desire.

In conclusion, I would like to share with you a few words a famous writer once said when talking about the future. He said, "I am not afraid of tomorrow, for I love today and I've seen yesterday." You and I have seen yesterday in agriculture. I love today and I am not afraid of tomorrow because we now have people who are concerned about agriculture and we have upcoming young men and women who are concerned about the future of agriculture, also.

The great Greek writer Aeschylus once said.

Some men see things as they are and say, "Why?" Others dream of things that never were and say, "Why not?"

I am asking why not to the future of agriculture and I believe that you are, too. Thank you very much.

Senator BOSCHWITZ. Thank you very much. Thank all of you and, Deb, Dion, and I hope, Steve, that you do come down to Washington and intern in our office with Randy and with all of us in the field of agriculture. Again, we are looking—we had a young man from not so long ago, Steve Peterson, whose name came up earlier, and if you are interested in doing that, come down in the wintertime. In the summertime we have hundreds of applicants. What happened to all of those cars? But, we have hundreds of applicants and we are over, but we are looking in the wintertime and that's when we're normally in session and that's when things get done. So I enjoy—I accept challenges all the time. I accept your challenge and I also admire all three of you as you look forward to the challenging field of agriculture in the future. Thank you for coming. Dion, nice to see you again, and come down to Washington again. And, Deb, you say you were in Washington, too?

Ms. TERBEEST. Last year.

Senator BOSCHWITZ. And you saw me at that time?

Ms. TERBEEST. Right.

Senator BOSCHWITZ. And, Steve, have you been down?

Mr. CENSKY. Yes; in 1978 but I don't believe——

Senator BOSCHWITZ. That was before I got there.

Mr. CENSKY. That's before you were there.

Senator BOSCHWITZ. Yeah. I notice you're quoting President Carter and all those dudes. [Laughter.]

But I thank you really very much for coming up and I thank you. And, incidentally, once again, people who are interested in receiving a copy of the hearing record are welcome to register with us and we'll send it to you. Thank you very much for coming.

Now we're getting into our final panel and it looks like the cars are going to stop running. I understood they started at about now. But we're going to have the Future Farmers of America. Dick Fellows from Worthington, John Helvig of Truman, and Mark Schaefer of McIntire, Iowa. Where is McIntire, Iowa?

Mr. SCHAEFER. It's right on the border, Mr. Boschwitz, but our land is in Minnesota so it's all right.

Senator BOSCHWITZ. Where do you vote?

Mr. SCHAEFER. Minnesota.

Senator BOSCHWITZ. When you speak, if you'll speak real close to the microphone as you see me doing.

STATEMENT OF JOHN HELVIG, MINNESOTA FUTURE FARMERS OF AMERICA ASSOCIATION, TRUMAN, MINN.

Mr. HELVIG. Thank you, Mr. Boschwitz. This morning I'd like to introduce us as the Minnesota FFA Association representing 15,000 FFA members in the State of Minnesota. Today we are three young farmers here trying to explain to you our troubles and our perils that are going to be upcoming to us in our future.

Farming today is a big risk. It's a big step for a young person to take. There's always going to be problems in our way; the financial problems, natural problems such as hailstorms, floods and drought, and also the time old breakdowns of machines and minds. In the past experiences I have seen in agriculture, they show me that I must look to the future very optimistically. My ability and my love for farming helps me through the tough times. The success and accomplishments after the tough times makes the good times all the better.

Today in agriculture I feel the biggest hurdle for the young farmer is the availability of capital. It's fairly easy to get money, but at the high interest rates it prevents borrowing because there's no way, it seems, we can ever pay the money back. Now there is help available through the U.S. Government from the Farmers Home Administration, but it seems like funds are limited and they usually run out before all the loan applications are filled. There's got to be some sort of other type of help from the Government, whether it's reduced interest rates or some other sort of help that can help us in the future so they can get started. Now there's the banks, PCA's and other loan agencies and they're there, but their interest rates are higher and it's also very hard to get large sums of money because you need large sums of money to buy farms and get started.

Young farmers loans are said to be some of the soundest deals made today according to many moneylending agencies. The young farmers must have a way to pay back the loans through cash flow and just

on paper before they can even get a loan because they do not have the collateral available to them. Now, it's these older established farmers that have this collateral, and they can pay the $3,000 an acre for land and they can pay the high rent rates because they can spread this expense over more and more acres.

Today young farmers must follow in their father's footsteps. Now the family farm is a very tight-knit unit in our American society. The farmer wants to pass his possessions on to his offspring, but with less ties and strings attached. An inheritance isn't much if one-half or three-fourths of it must be sold to pay the taxes. Selling between family members is also very hard because of the gift taxes and capital gains. Young farmers need the help from their fathers and other established family members or area farmers to get started in today's farming.

Today in farm promotion movement, parity is a big word. But it always seems like farmers will somehow seem to make it. We, as farmers, I feel, don't really need parity. All the farmer really wants to do is find a way to make the investments pay back and to make their ends meet. They don't want to have to pay to work, lose money at what they're doing.

I feel that one new problem that has arisen lately that has taken a big hunk of our profit is the transportation. Now, in our area there is a wide basis because of the distance the grain must be transported to the markets. Energy cost rise practically weekly and they widen the basis just as fast. Many proposals have been made to try to help the transportation problems now, but they are going to lead to problems in the future in the terms of maybe ruining many of our roads.

Roads today are getting very costly to fix. It has been said that since June of 1978 until January of 1980 alone, road construction costs have risen 40 percent. I feel that our railroads are there. They've been there most of the time. Our highways are always going to carry most of our grain, but we've lost a lot of our great potential in our railroads for transportation. Reestablishments might cost millions or even billions to repair, but these railroads might answer our transportation problems.

The Russian grain embargo this past winter stopped at lot of our grain shipments to this large buyer. It had a large psychological effect on many farmers, but it's really hard to measure the real effect on the grain markets. Government programs help by purchasing up excess grain, but I feel that this grain should be consumed, not just stored.

Not only transportation, energy costs affect profit, but production energy costs have taken their toll. Today many farmers are trying to produce alcohol efficiently. Many have went through this and many have solved many of the production problems that are coming up. Many farmers will overcome their energy costs. They've got to try to make ends meet. The speed of this accomplishment will only be controlled by the help that is received by the Government in terms of lower interest rates and less Federal redtape. Many feel it isn't right to use food for fuel, but if you provide a means for the farmer to make an income, he will produce the extra bushels needed to produce food and fuel.

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Government must help, also, by saving and conserving fuel for our future. It must also conserve now our raw materials such as fertilizers for our future needs. Government must regulate exports of fertilizers so that American farmers will have enough to produce food for our Nation and our world forever.

Our future in agriculture is being shaped right now. Less and less young people are getting started as farmers. They're looking for more assured incomes with less problems and less perils. Now, what I feel would help is lower interest rates for young men. Lower interest, or more money available for people for operating; tax cuts for young farmers; relaxed inheritance taxes; energy incentives, and transportation aids—these will all help to enable young farmers to get established and to produce food to feed our Nation.

What I have seen in the past years of farming I have liked, even though it has been hard. I must keep looking for better ways and better days, and God willing I will be farming for the rest of my life, loving it always and always looking to the future optimistically. Thank you, Mr. Boschwitz.

Senator BOSCHWITZ. You certainly have covered a wide array of problems that face farmers, not only young people getting into the farming business, but farmers in general; the availability of capital being one of the really basic and most real problems. I quite understand that a person who has a large investment that large interest—high interest rates simply—the soil is simply not going to be able to produce enough for him to make a go of it. I am a firm supporter of alleviating the problems of selling between farm family members, and I will move in the coming year to try to reduce the impact of that estate and gift tax laws in a number of ways.

You have touched upon a lot of problems; transportation, and you've talked about assured income with less problems and perils and the great risks that accompany agriculture, they accompany every business. And I hope that the 1981 farm bill that I will participate in very vigorously will serve and act as a firm foundation, and I will very strongly and avidly keep in mind the problems of young farmers. I understand that people who have inherited land and have inherited it some years ago, 20 or 30 years ago, on a position that is quite different than a young man like yourself, entering into the business of farming today; and no question that one of the great challenges of the 1981 Farm Act is going to be how we accommodate the needs of the future of farming which is represented by you.

Mark. Mark is from McIntire, Iowa, and as he notes, votes in Minnesota.

STATEMENT OF MARK SCHAEFER, SOUTHLAND FUTURE FARMERS OF AMERICA, McINTIRE, IOWA

Mr. SCHAEFER. Right, and I, too, would like to thank you, Mr. Boschwitz, for having this opportunity to speak in representing our case to you.

What is going to happen to agriculture in the eighties? This is an upmost concern to me. And being a member of the Future Farmers of America——

Senator BOSCHWITZ. Mark, if I may ask, just identify yourself a little bit more. You tell me—you live on a farm?

Mr. SCHAEFER. Right. OK. My name is Mark Schaefer. I'm 21. I come from the very south point of Minnesota, almost into Iowa, and I'm farming with my father right now——

Senator BOSCHWITZ. Where is that?

Mr. SCHAEFER. By Austin, Minn.

Senator BOSCHWITZ. Oh, by Austin.

Mr. SCHAEFER. Twenty miles southeast of Austin.

Senator BOSCHWITZ. Straight south?

Mr. SCHAEFER. Right; and I'm currently farming with my father and I do own a little bit of ground, and we milk cows and we raise hogs also.

Senator BOSCHWITZ. I see. And you also—these crops are used for feed?

Mr. SCHAEFER. Right; we have 480 acres and we raise—all the crops we raise mainly go into our livestock. We sell very few crops. Well, we do sell some beans but all the corn we raise go into our livestock.

And as I start farming I can see a very challenging task facing each and every farmer of tomorrow. The eighties are sure to bring new technology to all aspects of farming. Mechanical changes, hybrids, chemicals, growth stimulants, and hormones are all examples that are changes that will come upon us.

The financial challenge of the eighties may be more than we are able to comprehend at times. I'm sure that the hundreds of dollars of the sixties and seventies is far into the thousands for the eighties.

One of my main questions is, as John's, is, Will we be able to keep the family farm? Will it be near as productive? You know, there is no other type of agricultural system that can meet the productivity, ingenuity, and pride the American family farm has. Maintaining the family farm in the eighties is a challenge that must be met if American agriculture and the economy in general is to remain strong.

What are some of the problems faced by a young man starting farming today? I have listed what I feel to be major concerns to us: Taxes, the high volume of borrowed money, the high cost of that borrowed money, inheritance tax laws, Government programs, and inflation?

Certainly, taxes are a major concern to us. Today property taxes are based on market value, not earning power of the land. I know of no other business that is taxed beyond its earning power. I feel that increasing the homestead credit allowance in dollars would be a major benefit to the family farm and help discourage speculative investors who are main contributors of increasing land prices beyond its earning power.

I feel the new bill on investment tax credit which will allow a relative of the seller to claim investment credit on the first trade to be an excellent one. Under the current law, it is almost always economically unfeasible for a relative to buy any equipment from another relative because of the tremendous investment credit loans he incurs which he would not have if he would have bought it from a dealer or a complete stranger. If we are trying to preserve the family farm, this new investment tax credit bill seems to be most appropriate and fair.

When a greater portion of one's personal income goes to the Government in the form of taxes than it takes for that person to eat and maintain himself, I feel it's time for less taxes or higher priced food. This is the case in the United States today. This country has always adopted a cheap food policy. I believe the question is how long can we afford to keep it in effect?

There is no question that inflation has hit hard for the starting farmer. Here are some interesting facts about what has happened to the average farm over the last 7 years. The average investment per worker went from $150,000 in 1973 to over $309,000 in 1979. In just 7 years it has more than doubled. Where did this extra investment come from? Investment in livestock, crops, and feed increased by 143 percent, while at the same time investment in power and machinery rose by more than 225 percent. So the major increase in investment did not come from what we produced, but instead came from the costs of producing that item. His assets to liabilities went from $3.19 of assets and of liabilities down to $2.47 in 1979. And the last figures——

Senator BOSCHWITZ. Assets of $2.47 for every—for every dollar worth of liability.

Mr. SCHAEFER. Right.

The last figures stand to reason. Money borrowed went from $36,000 in 1973 to over $83,000 in 1979.

Senator BOSCHWITZ. Average?

Mr. SCHAEFER. Average. Now, this is farms in south-central Minnesota.

Senator BOSCHWITZ. OK.

Mr. SCHAEFER. If I were to take these records to my PCA man or FmHA man, he certainly wouldn't be too impressed with them, I don't think.

And one point I would like to stress is that I do not believe that putting the farmer deeper into debt is the answer. More cheap loans still have to be paid back sometime.

In looking back to last month, the only sector of the American economy whose productivity was not down was agriculture. Today a farmer accomplishes more work than ever before.

You know, back in the days of the penny postcard, the oil companies were piping fuel to Minnesota for about a penny a gallon. Today the penny postcard will cost you a dime and the oil companies are sending fuel for just a fraction of a cent. Do we want the Government to run agriculture as they do the postal system?

It seems to me this example shows that free enterprise is much more efficient and productive.

The competition that exists in agriculture today has forced the American farmer to be as efficient a worker as any in this country. Today a bushel of corn, soybeans, wheat or pound of milk, pork, or beef takes less labor to produce than ever before.

We as farmers have become very sophisticated at marketing our labor. We have made heavy demands on others to help us generate more from each acre of land, each cow we milk or sow that we raise.

And, also, I agree with Steve; there's no question that post-high school education is needed to keep the farmer educated with current problems. Perhaps, if we can invest some money at the national level

into agriculture education, perhaps, the States will follow, because education is going to be very necessary in farming in the future as rapidly as it is ch..nging. And as we analyze all these factors, it becomes more and more difficult for young people to become a part of this system of production.

Thank you, Mr. Boschwitz.

Senator BOSCHWITZ. Well, I also enjoyed listening to you, and I quite agree that there is nothing like the family farm and there's nothing nearly as productive, and not an insubstantial part of the farm problem is that they have been so very productive and have produced so much and so well. Interestingly, the place where the family farm and the productivity of the individual is best proven is, perhaps, in Russia where there are no family farms but there are collective farms, as you may know. But a family who lives on a collective farm is allowed 1 acre or 1 hec—how do you pronounce that? Heet [phonetic] acre, which is about 2 acres I believe, for himself and his family, and on that acre of land that he and his family can produce on and they can keep what they produce, they can sell what they produce at the marketplace, on those 1-acre plots, which are sprinkled all around Russia on the collective farms, and constitute about 1 percent or slightly less than 1 percent of the farm acreage in Russia, they produce 27 percent, as best we know.

Twenty seven percent of the agricultural output of Russia. So from 1 percent of the land comes 27 percent of the agriculture output which proves so well the whole idea of family farms, that if people are allowed to produce and keep a reasonable share of what they produce, they'll produce more. And they do that whether they live here or somewhere else.

I will work very hard to maintain the family farm. I was interested in your example of the penny postcard. Would you go back to that for a moment and read that to me? You said that the oil companies used to transport oil for a penny a gallon; is that right?

Mr. SCHAEFER. Right.

Senator BOSCHWITZ. From where to where?

Senator SCHAEFER. From the South.

Senator BOSCHWITZ. Oh, from the South, OK, or from the gulf coast or from the places where their pipelines begin. And they're still sending it up here for a penny a gallon or less?

Mr. SCHAEFER. Or less; I read this out of an industrial magazine.

Senator BOSCHWITZ. That's interesting. And you also pointed out earlier in your testimony that farmlands are not produced—not taxed on earnings but are taxed on value and that that does not necessarily represent in today's world the earnings.

While a lot of people don't run around defending the oil companies, and nevertheless, they, too, in their production, this new windfall tax so-called, is not taxing them on the basis of earnings. And over the period of years, it's a shame that we don't tax in this country on the basis of earnings rather than on other types of assumed values as you've pointed out. So I've enjoyed your testimony as well, Mark. John, and Dick, and we will adjourn our hearings now——

[Off the record.]

Senator BOSCHWITZ. Oh, pardon me; pardon me. That's a flux pas. Dick has not yet spoken. But for some reason I figured we had gone this way. All right. Dick Fellows. You're our final witness of the morning, and pardon me for almost eliminating you, but why don't you go ahead and tell us where you're from and your background, if you will, first, just a little personal information, and then go right ahead.

Mr. FELLOWS. Thank you, Senator.

Senator BOSCHWITZ. And talk right into the microphone.

STATEMENT OF RICHARD FELLOWS, MINNESOTA FUTURE FARMERS OF AMERICA, WORTHINGTON, MINN.

Mr. FELLOWS. My name is Richard Fellows and I'm 21 years old. I live on a 500-acre farm south of Worthington in southwest Minnesota. I belonged to 4–H and FFA while I was in high school. Upon graduation I attended Worthington Community College for 2 years and the University of Minnesota, St. Paul campus during the 1980 winter quarter. I will be receiving the FFA American farmer degree this fall at the National Convention in Kansas City.

I farm 150 acres of corn and soybeans. I also do custom swathing, averaging over 1,600 acres a year, in addition to planting soybeans for a few neighbors. I assist my father with his feeder cattle operation and his crops and this way I'm able to trade my labor for his machinery use. My future plans are to increase my crop acres and to start a livestock operation.

Minnesota has a program where the State pays the interest over 4 percent until the young farmer can start paying—repaying the interest. I feel the money that is spent on such a program can be better utilized by providing the retiring farmer a tax incentive to sell his land to a starting farmer at a little better price; thus, getting a young farmer in with less capital outlay. I feel that the Government should stay away from long-term financing to young farmers because that is not the Government's responsibility. That is what lending institutions are for. If the Government were to provide such financing, the funds for such a program would come from taxes which are already high enough. I don't want welfare to help me start farming, and I do not wish to see others get a start at my own expense. I would like to see continued funding for soil conservation practices through the ASCS. I like the cost sharing for conservation practices such as terraces and grass waterways. I do hope though that the Government will not *to*tally finance all conservation practices.

The USDA land-grant institutions and State experimental stations are doing a good job in serving agriculture now. With continued funding they will carry on the educational function which is a very necessary part of the agriculture community. With up-to-the-date research the farmer is able to adjust for consumers' preferences, market fluctuations, and new products and so forth.

In the future, I would like to see the Government's role as creating a climate for agriculture, where farmers can produce for the market of supply and demand. It appears productivity in agriculture is one of the bright spots, one of the few bright spots in our economy and world markets which demand more food in the future.

Agriculture, as well as any other segment of the economy, needs a stable economy in which to operate. As a young farmer I feel that inflation will always be with us whether in single or double digit. With inflation it is almost impossible to keep up with costs, let alone saving for farmland ownership and updating of production facilities and equipment. I would like to see the agriculture industry be able to produce much needed food with as little regulation as possible. Private enterprise can respond to changes in consumers' preferences.

I wish to thank you, Senator, for allowing me to testify before this committee.

Senator BOSCHWITZ. Well, I found your testimony very interesting. Very frankly, most people who come before Senate committees, whether it be here or in Washington or elsewhere, I have found don't make the kind of statements that you have made this morning about the fact that Government should not become involved in financing. Most people, at least who get to the testifying stand, seem to think that the Government should do more in each area. Could you—could you expand a little bit on your ideas of what we could do, perhaps, by way of tax incentive to—that a farmer could sell land to other individuals, sons or sons-in-law or daughters or whomever? Would you expand a little bit more on the idea that you presented there?

Mr. FELLOWS. OK. I guess what I'd like to see is, you know, which has been brought up before this committee later—earlier this morning, is to provide estate tax—reduction in estate taxes and let the farmer be able to sell for what he feels the farm is worth. Not inflated value. My father bought a farm for $350 an acre in the early sixties. You go back and take the inflated cost, take the inflated dollars now. That farm is not worth 1 penny more. And I don't feel I can justify paying $2,000 an acre land for that, for a farm that is not worth any more than when he first bought it. It's a—a young farmer does not have the right capital flow to do this. And I'd like to see it—well, tax incentives to, you know, lower taxes for the retiring farmer, let him take a little—well, not pay as much on his——

Senator BOSCHWITZ. On the interest.

Mr. FELLOWS. Right.

Senator BOSCHWITZ. I—I do support that. I want to tell you that I support all ideas to relieve the estate tax difficulties that young people find and that older farmers find. The estate tax just, historically, was promulgated in 1916 and it was passed because they wanted to prevent the concentration of assets in the few families. The families at that time were the Rockefellers, DuPonts, Demalignons and so forth, but today the concentration of assets is no longer in the individual but rather in pension trusts and large corporations and large banks. And the estate tax laws are accelerating the process of more and more the assets going to the large—the large institutions of our country rather than allowing them to continue in the hands of smaller units, family units, individual units. And the estate taxes, you may be interested to know, provides approximately 1.2 percent. It's a little over 1 percent of all the—all the income of Government. So that I hope to be able to have a very active hand in reforming that and will keep very, very much in mind. Dick, your statements and statements of other young people and old people and people in the agriculture community that

we have to provide for the continuity of the family farm. And it's not going to happen if we aren't able to provide some kind of relief in the estate tax. And, also, I think, Mark, you spoke about the fact that if a farmer sells to his progeny son or daughter or son-in-law equipment, there is no tax credit, yet if you go elsewhere and do it, certainly, there is some area for abuse of passing equipment back and forth between family members, but I think that that can be properly handled and properly controlled.

I thank each one of you. Mark, John, and Dick, for coming this morning. I thank all the other witnesses who have been with us. And unless there is some other statement that some member of the audience wishes to make, I say that the meeting of the Senate Agriculture Committee is hereby adjourned. Thank you very much for coming.

[Whereupon at 11:30 a.m. the committee adjourned, subject to call of the Chair.]

APPENDIX

STATEMENT OF HON. ALBERT H. QUIE, GOVERNOR, STATE OF MINNESOTA

Mr. Chairman and members of the committee: Welcome to Minnesota. We appreciate your coming to Minnesota and sincerely hope you will enjoy our "Great Minnesota State Fair." We also hope your brief stay will be rewarding in terms of the testimony received from the many agricultural interests over the next three days. I urge you to listen carefully and weigh their testimony heavily in the preparation of new farm legislation for 1981. My remarks will largely be of a general nature I also have background information which I would like to submit for the record.

Farming is Minnesota's most important industry. Upon it rests the State's entire agri-business industry, from feed, seeds, and banking services on the production side to milling, canning, meat packing and export on the marketing distribution side. In Minnesota and the upper midwest generally, the biggest business by far is agri-business—the production, distribution, and processing of food and fiber products.

Minnesota's 104,000 farmers produce nearly $5 billion worth of farm products each year. The food processing industry generates another $2 billion annually. Additionally, farming helps the State economy by creating nearly 40 percent of the total State employment. Minnesota ranks seventh in the country in total cash farm income and is fifth in the nation in farm exports, thereby helping the nation's balance of trade.

Mr. Chairman, I testified before this committee last February concerning the grain embargo to the Soviet Union. I would like to note that on Tuesday, the Midwest Governors Association unanimously voted to oppose the grain embargo. I will submit our position for the record. In February, I shared with this committee that this country is the low cost supplier of the world's food needs and is the only single country capable of meeting these needs on a sustained basis. However, because of Minnesota's location relative to major port facilities and the dynamics of the marketing system, we more than any other region in the country, are on the "end of whip." We are the last to obtain the benefits of strong markets and the first to receive the shock effects of market disruptions and major changes in production costs. Our farm producers operate on the narrowest of profit margins. Their production costs tend to be higher than other regions and market prices are lower because of our location and transportation costs. Corn prices are consistently 20 to 25 cents per bushel below national average prices. Soybean prices are approximately 30 cents per bushel less.

Consequently, our farm producers are extremely sensitive to market and income fluctuations. Their specialized crop and livestock production practices together with a heavy reliance on borrowed funds and purchased supplies, makes the issue of cash flow extremely important to them, and the past year and a half has been a trying one. We have experienced a grain miller's strike in Duluth/Superior, a truck strike, severe fuel shortages and adverse weather conditions in the spring of 1979, national transportation bottlenecks, the grain embargo to the Soviet Union, and most recently, the drought in northwest Minnesota. All of these impact very heavily upon our farm producers debt service ability. Their perserverance and determination to whether these "storms" reveals their strength of character.

These trying circumstances together with narrow profit margins make the two major topics before this committee—the farmer held reserve and transportation—of utmost importance.

THE 1981 FARM BILL SHOULD ADDRESS CHANGES IN THE FARMER HELD RESERVE

One key item concerning the farmer held reserve is the operation of the release and call prices. It is ironic that the legislation which is intended to stabilize farm income actually has great potential to contribute to its instability. I urge this committee to adopt a mechanism to allow for the gradual release of commodities rather than simultaneously releasing millions of bushels of grain at once. Our transportation systems are not capable of handling such "peak loads." I recently recommended to the National Governors Conference a policy position to replace the current mandatory nature of the call level with a system of incentives such as increasing loan interest rates and deducting storage payments on reserve crops held beyond the call level date. Such a system would reduce the potential for market disruption caused by an immediate call in of millions of bushels of grain.

RURAL FREIGHT TRANSPORTATION

Minnesota is the marketing center for the Upper Midwest with its port of Duluth-Superior, Mississippi River terminals, the Minneapolis Grain Exchange, and numerous processing facilities located throughout the state. The value of Minnesota agricultural exports have increased nearly 100 percent in the past three-year period with over 75 percent of the total value accounted for in wheat, feed grain and oil seed products. For the past two-year period, grain shipments from Minneapolis-St. Paul and the Port of Duluth-Superior terminal facilities totaled a record 35.5 million metric tons.

According to recent statistics of the Minnesota Department of Agriculture, 55 percent of Minnesota's commercial grain receipts in 1977 came from in-state origins and 45 percent came from out-state sources. Nearly two-thirds of these receipts were destined for Duluth-Superior or Minneapolis-St. Paul terminal facilities.

Over one-half of the total 1977 shipments of grain commodities were exported to some 27 out-of-state destinations for domestic use or transshipment to international markets. Water borne transportation (barge or vessel) accounted for 70 percent of the total movement, with rail moving 24 percent and truck 6 percent.

I share these data with you to impress upon the committee the importance of adequate transportation facilities to our farm producers. They depend upon an extensive and complex marketing-transportation system to reach local, state, national and international markets. The transportation bottlenecks beyond our borders such as lock and dam 26 on the Mississippi River, Kansas City switchyards, Miles City Gateway, and season extension on the St. Lawrence Seaway are all issues of importance to us. These "bottlenecks" influence the prices paid to farmers. I urge the committee to keep these transportation restraints in mind as you write a new farm bill. Our farm producers are the ones paying the cost of these restraints.

Here in Minnesota my policy goal is to improve the productivity of our state agricultural transportation system. I have a three-fold policy of: (1) assuring our farm producers access to important regional and national markets; (2) encouraging the adoption of the best available technology to improve essential physical transportation facilities; and, (3) to seek the efficient utilization of all our carrier fleets, by they truck, rail or water borne facilities. Much of the upper midwest transportation situation is summarized by the trend in truck vs. rail grain receipts at Mississippi River terminal facilities over the past five years. The share of rail receipts has declined steadily from 52.5 percent of the total receipts in 1975, to less than one-fourth of the total in 1979. Rails have lost tonnage while truck volumes have tripled. A similar situation is also true for the port of Duluth-Superior. It is shortsighted to believe that trucks can continue to be the total answer to our surface transportation needs. Trucks are and will continue to be important in moving grain, particularly for shorter distances and peak period demands.

However, increasing fuel costs, decreasing fuel supplies, and the greater efficiency of railroads dictate that railroad service must be improved. To that end, the State of Minnesota, Minnesota Shipper Associations and the Railroad Carriers cooperate together in the Minnesota Rail Service Improvement program administered by the Minnesota Department of Transportation. This is a successful cost-sharing program to rehabilitate essential branch lines in the state. As an example, currently the state, a Southern Minnesota Shippers Asso-

ciation, and the Milwaukee Railroad are investing over $13 million to rehabilitate an essential Milwaukee branch line in Southern Minnesota to handle unit grain train shipments. Additionally, the I.C.C. recently approved the Milwaukee Railroad's petition to institute a rate design which allows the country elevator operators to cooperate with each other in merchandising their grain and to take advantage of a 50-car unit grain train rate. This rate allows nearly a five to eight cent increase in the prices paid to area farmers over single car rates to the Gulf of Mexico.

I share this example with you, for we are all proud of these achievements. Such rehabilitation efforts, in conjunction with innovative rate designs by the railroad carriers to allow greater marketing flexibility and competition will go a long way toward improving the state's surface transportation situation and economic well-being of our farm families and rural communities.

CONCLUSION

I would like to conclude with a brief observation of writing farm bills. With 20 years of Congress under my belt I have seen farm bills come and go. My recommendation to you in rewriting the present farm laws is not to try to do too much. Look at what is wrong with the present laws and make incremental changes, not drastic ones. In effect, don't throw the baby out with the bath water. Our producers have done a good job but they still need your help.

Again, thank you for coming to Minnesota to listen to our concerns and suggestions.

MIDWESTERN GOVERNORS' CONFERENCE

August 24–26, 1980, Chicago, Illinois

PROPOSED POLICY STATEMENT ON THE GRAIN EMBARGO

Submitted by Governor Charles Thone, Nebraska
Seconded by Governor Albert H. Quie, Minnesota

It it important to support efforts to increase the incomes of our nation's farmers by aggressively pursuing international markets for United States agricultural products. Agricultural embargoes are ineffective, depress prices, cost the taxpayers billions of dollars, and jeopardize future sales of agricultural commodities.

American farmers, with cooperation from the Foreign Agricultural Service of the United States Department of Agriculture, have invested millions of dollars developing world markets for United States farm and ranch products. These programs are beginning to pay off in the form of increased world sales and contribute to our national balance of trade.

Any national policy that causes our foreign customers to doubt the reliability of the United States as a trading partner undermines the effectiveness of these market development programs. The long-term consequences of sale suspensions is damaging to both agriculture and the nation.

The Midwestern Governors' Conference supports action to end the current embargo and urges action to prevent future interference with private sales of agricultural products to customers located in foreign countries.

Passed unanimously August 26, 1980.

STATEMENT OF MERLYN LOKENSGARD, PRESIDENT, MINNESOTA FARM BUREAU FEDERATION, ST. PAUL, MINN.

Senator Boschwitz and other members of the Senate Agriculture Committee: My name is Merlyn Lokensgard. I am a cash crop and livestock farmer and President of the Minnesota Farm Bureau Federation, the state's largest general farm organization, with nearly 35,000 member families in 84 organized county units.

INTRODUCTION

We appreciate the opportunity to appear today before the Senate Agriculture Committee, and to submit written testimony for the record, during public hear-

ings intended to focus attention on farm program legislation the Congress will most likely be considering during 1981.

Current government farm programs authorized by the Food and Agricultural Act of 1977 expire next year. Commodities affected include wheat, feed grains, soybeans, dairy products, upland cotton, wool, rice and peanuts.

The first session of the 97th Congress, scheduled to begin next January, will most likely be the setting for farm program discussions and decisions. It will follow a crop year (1980) in which U.S. Department of Agriculture (USDA) projections place net farm income at between $20.2 billion and $27.6 billion compared to the 1979 level of $33.3 billion. Inflation meanwhile is expected to average 12 to 14 percent this year.

THE '81 ECONOMIC CLIMATE

Agriculture's economic climate during 1984 what we anticipate it will be is of major concern to us. A pronounced decline in net farm income ordinarily is tailor made for arguments by critics of a market-oriented agriculture in support of moving further toward a restrictive supply-management type farm program based on acreage restrictions and marketing quotas.

During the past three and one-half years, Farm Bureau members have devoted much time and attention to a review of government farm programs. In that span of time, members have carefully examined their policy positions at every level of Farm Bureau—county, state and national. The policies upon which we today base our recommendations for the direction in farm policy we believe would be best for agriculture in the decade of the 1980's are the direct result of an extensive policy development program which involves study, discussion and action by Farm Bureau members, and their elected representatives, at thousands of meetings each year. Every farmer member has the opportunity to participate and all are encouraged to do so.

POLICIES MEMBER-ADOPTED

Policy recommendations for government farm programs were adopted at each of the annual meetings of the county and state Farm Bureaus during the fall of 1979. Recommendations of state Farm Bureaus were considered at length by the voting delegates at the annual meeting of the American Farm Bureau Federation in January 1980. At that time, the official elected voting delegates—representing 3,067,867 member families in 49 states and Puerto Rico—adopted the policies which we propose to this Committee.

As a general farm organization representing producers of every type of agricultural commodity grown commercially in all farming and ranching areas of the United States, these policies reflect a regional as well as a commodity consensus.

In general, Farm Bureau policy positions on government farm programs, presently as well as over recent years, reflect a strong feeling that a sound and effective national farm policy cannot be built solely on a program of government price supports.

A MARKET-ORIENTED AGRICULTURE

Production agriculture historically has fared best when individual farmers have been permitted to respond to the market. During the past several years, considerable progress has been made in reducing the decision-making role of the federal government, with public expenditures for farm price supports reduced and overall farm income growing and improved.

The basic government farm program law Congress enacted in 1977, which Farm Bureau has supported and continues to support, has provided farmers with the opportunity to choose what to produce within the limits of their ability and resources and to produce for expected returns from the market rather than for government help. As a result, farmers have had more decision-making flexibility; farmers' incomes have been protected and improved; agricultural production has been kept more in line with anticipated needs; and primary reliance has been placed on the marketplace as the principal source of farm income.

As the attention and focus of the Senate Committee on Agriculture and Forestry turn next year to government farm program legislation, we in the Minnesota Farm Bureau Federation cannot emphasize enough our strong support for a continuation and enlargement of conditions which will permit the farmers and ranchers of this country to operate under the market system.

MARKET ACCESS VITAL

At the same time, we in Farm Bureau lend our endorsement to a national farm program that assures and enhances our access to markets at home and abroad; that assists us in obtaining needed crop and market information, research, education assistance and agricultural credit; that aids in eradicating or controlling animal and plant pests and diseases; that encourages land and water resources conservation; and that prevents the exercise of monopoly power.

Since market-oriented agriculture is by far superior to any type of government-managed system, farm policy for the decade of the 1980's should intensify efforts to achieve a productive, prosperous farming industry through economically sound programs with a minimum of production controls and as few price and income support measures as possible.

To reiterate, Farm Bureau is of the firm and long-standing conviction that government farm programs should be designed to help rather than hinder farm families as they seek to earn and obtain higher net incomes through the functioning of the market system. Thus Farm Bureau continues to believe—and this most important of all—that the objective should be a market-oriented agriculture and the elimination of target prices (compensatory payments) as soon as possible.

ORDERLY MARKETING GOAL

By the same token, price support and production adjustment programs should be designed to bring about orderly marketing rather than to fix prices. Price support levels in the future should take into account competitive conditions, supply and demand and market trends. If the forces of the marketplace are to operate free and unfettered, farmers must not be forced to compete with the Commodity Credit Corporation (CCC) for markets.

We are no less opposed now as we have been in past years to government-owned reserves of agricultural commodities. Such reserves historically have been bad for producers, costly for taxpayers and unnecessary for the protection of consumers. The interests of consumers are well safeguarded by the productive capacity of American agriculture, the stocks farmers and the trade would carry in the absence of a government reserve program, the fact that major crops are produced over wide geographic areas and the flexibility of a livestock economy.

Finally, before we turn our attention to several specific recommendations along with what we would propose be an extension and more effective implementation of the Food and Agricultural Act as originally enacted in 1977—Farm Bureau submits that experience has demonstrated unmistakably that a market-directed economy will yield farmers and ranchers the highest incomes attainable.

So that the higher net incomes to farmers and ranchers necessary to insure a healthy agricultural economy might be provided, Farm Bureau urgently and strongly commends to the Committee for its deliberation the following:

INFLATION AND ITS CONTROL

First, acceptance by not only the executive branch of government but by the Congress of the responsibility for bringing inflation under control. The stability of the American capitalistic, private competitive enterprise system—upon whose successful functioning the prosperity of farm family depends—is seriously threatened by a runaway inflation, the annual rate of which may well approach anywhere from 14 to 20 percent. Farmers, who are convinced it is the overriding economic issue facing the nation today, are more seriously injured by the rampant inflation that we have experienced than those engaged in most other occupations. Unless inflation and unsound federal monetary and fiscal policies are dealt with realistically, the U.S. standard of living will continue to deteriorate and the nation's economy damaged—perhaps beyond repair.

Farm Bureau also supports two constitutional amendments. One would require federal government each year—barring "extreme emergencies" as determined by both the legislative and executive branches—to operate on a balanced budget. The other calls for restricting the spending authority of the federal government to a realistic percentage of the gross national product (GNP).

EMBARGOES AND FARM PRODUCTS

Second, Farm Bureau members in Minnesota have been traditionally opposed, and are currently opposed, to embargoes on farm commodities except if and when there is a clear threat to national security.

Historically, such sales suspensions cause serious economic injury, in the short term as well as long-range, to agricultural producers. Case in point is the Soviet grain embargo imposed by the Carter Administration on January 4, 1980. The cut-off order was accompanied by a declaration that the move was dictated by the threat posed to our national security by the Soviet invasion of Afghanistan.

After some seven months of the selective embargo, however, the suspension appears to be at best little more than an inconvenience to the Russians. While they have had to "shop around" and pay a higher price, they are reliably reported to have been able to find other sources for most of the grain denied them.

In the meantime, the United States has not only lost that business but taxpayers to date have paid out some $2.5 billion to $3 billion to buy up corn and wheat. In addition, the embargo's cost to the federal treasury is expected to be between $2 billion and $4 billion when finally tabulated.

As members of this Committee deliberate and discuss government farm programs for 1982 and beyond, we would suggest questions such as these be seriously weighed:

1. Who should determine the existence of a threat to national security and what should constitute such threat?

2. Is an embargo in grain, or whatever the farm commodity, an improper or insufficient response to the threat to national security?

3. What does an embargo mean to corn and wheat growers in terms of net farm income—and how should they be cushioned from declining prices induced by these kinds of sales suspensions?

THE CHANGING ROLE OF U.S.D.A.

Third, Farm Bureau urges this Committee and the Congress to place a high priority on the concern of farmers with what they perceive to be the changing role of the U.S. Department of Agriculture (USDA) and the direction in which it appears to us to be moving.

In our considered view, the Department is becoming increasingly less involved with what has historically been concerned with the efficiency of production agriculture. We find it particularly disturbing to observe recent trends toward reductions in the funding of agricultural research; the dilution of agricultural extension efforts to improve agricultural production and marketing; restrictions on feed additives; emotionalism over food safety; environmental restrictions; and the redirection of government programs away from the basic objectives of insuring the nation's supply of food and fiber.

In this apparent de-emphasizing process, the Department is rapidly becoming top-heavy with consumer activists, public interest lawyers, hunger lobbyists and policy makers. Our information and observations lead us to believe further that the Department is one of our country's largest welfare agencies, spending two-thirds of its budget to feed school children and issue food stamps.

Should farmers' interests now be, or in the future become, a secondary concern of the Department, Farm Bureau respectfully submits it will occur at the expense of efficient food production. Should the Department become a regulatory agency—and we suggest that it is a distinct possibility—it will be party to stifling production rather than assisting in solving the problems facing modern agriculture in the all-important areas of production and marketing.

The role the Department presumes to assume in directing the future structure of agriculture and the family farm system—to say nothing of its attempting to speak, or to decide what is best for farmers—is not without its disturbing elements either.

Farm Bureau recommends, therefore, that this Committee and the Congress return the U.S. Department of Agriculture to its historic status as an agricultural and marketing department, committed to advancing the welfare of all the people by helping farmers and ranchers supply consumers with an abundant supply of safe, high quality, efficiently produced food and fiber.

CREDIT, ITS NEED AND AVAILABILITY

Fourth, we urge steps be taken so that farmers and ranchers might be able to more equitably compete with the federal government for a larger amount of available credit.

Securing adequate credit for operation and investment purposes has always been a problem for farmers, and the need for borrowed funds are expected to grow with changes in farm ownership and further consolidation of farm units. In fact, as we move into the decade of the 1980's, indications are that capital needs of agriculture will accelerate faster than the lending ability of the institutions serving the industry. This, of course is of major concern currently, with money "tight," credit short and interest rates high.

Farm Bureau is aware that agricultural needs are changing and expanding. As far as financing demands are concerned, a variety of facilities is needed to provide credit sufficient to meet these demands. Projected long-term future capital requirements must be satisfied if agriculture is to remain a viable industry for both beginning and established farmers.

To achieve this objective will mean a cooperative, on-going effort by traditional institutional lenders and governmental sources. It will mean also, in our judgment, congressional action in areas such as liberalized inheritance and gift taxes, relaxed capital gains taxes and expansion of investment credit benefits.

AGRICULTURAL EXPORTS

Fifth, Farm Bureau urges this Committee and the Congress to continue placing the highest priority on measures and actions necessary to assure farmer producers a high level of agricultural exports. With the production from approximately one harvested acre in three exported, it is essential that a farm policy for the 1980's pursue a vigorous export program for U.S. agricultural commodities to gain an even greater share of the world market. Minnesota, as one of the nation's top 10 farm exporting states, has a special interest—as you can well appreciate—in efforts to enhance mutually beneficial international trade.

Because exports in the future will represent a more significant part of the total market for our farm production, an integral part of seeking better access to foreign markets—as Farm Bureau envisions it—must involve a 6-point approach:

(1) Avoid international commodity agreements that attempt to fix prices and allocate markets;

(2) Continue support of Public Law 480 (Food for Peace) and action to make it more effective;

(3) Impose countermeasures against countries which discriminate against, or restrict imports of, agricultural products from the United States.

(4) Invoke countervailing duties on imports that are subsidized by foreign countries;

(5) Eliminate cargo preference requirements; and

(6) Prevent the interruption of foreign shipments by strikes, boycotts, embargoes or moratoriums.

CONCLUSION

In conclusion, the goal of federal farm policy for the decade of the 1980's must be a flourishing, efficient agriculture, keyed to the opportunities of a free market and abundance. The philosophy—and the policy—of government planned and managed production and marketing has no place in a forward-looking, progressive, prosperous farming enterprise. Agricultural productions and food pricing must be functions of the marketplace. All of us—the Congress most of all—must recognize that the failures of our modern system of agriculture are political, not economic. To reverse the situation, the economics of agriculture must be recognized as a bulwark in our national life and the very cornerstone of our growth and well-being as a nation and as a people.

Hopefully, the observations and recommendations which we have presented in this statement shall be well received. To us, they are practical, economically sound and workable. As goals, we sincerely believe they are realistic and attainable. What is more, the Committee's incorporating them in its farm policy direction discussions and decisions will help strengthen the agricultural economy of America.

Again, thank you for this opportunity to present Farm Bureau's statement.

APPENDAGE

Farmer-Held Reserves and Their Impact

Comments, Observations and Recommendations as presented in the form of testimony by Merlyn W. Lokensgard, President, Minnesota Farm Bureau Federation

Thank you, Senator Boschwitz, and other members of the Senate Committee on Agriculture and Forestry. My name is Merlyn Lokensgard. I am a cash crop and livestock farmer in the St. Peter area and President of the Minnesota Farm Bureau Federation. We are the state's largest general farm organization, with nearly 35,000 member families in 83 organized county units.

I appreciate being here today, and I know the membership of Farm Bureau does as well. I have submitted a written statement for the hearing record—and respectfully ask that the comments I am about to make by entered in that record also.

We in Farm Bureau for a long time have opposed government-owned reserves of farm products. And while we look upon farmer-held reserves of agricultural commodities in a more favorable light—provided they bring about orderly marketing as opposed to fixing prices—given the recent history of this concept, I feel they are, in a manner of speaking, the lesser of two evils.

Some politicians and social scientists—especially in an election year—seem to think that food production is too important to leave to farmers. As a result, they try manipulating us and our markets. Our one big concern about this kind of government interference in our food and fiber supply system—through grain reserves, whether on-farm or government-held, is that food shortages and higher costs could become reality.

We are afraid the federal farmer-held but government-managed grain reserve program—which Howard Hjort, USDA's chief economist, says is the foundation of the Carter Administration's agricultural policy—is having an impact for the worse on farm prices. As evidence that key decisions about the management of on-farm reserves are made by Uncle Sam, I refer to recent increases in release and call prices—and Mr. Hjort's telling an American Farm Bureau Federation grain conference in Chicago as recent as two weeks ago that while he isn't expecting paid acreage diversion as part of next year's grain program, he does expect release and call price levels to continue increasing—right along with crop loan rates.

And so long as there are huge amounts of wheat and feed grains in the farmer-owned reserves, it is understandable why Washington indicates there is slim chance another year of a government program to pay farmers not to plant and no set-aside for the 1981 wheat crop.

Higher farmer-held reserve release and call prices, along with increases in crop loan rates, are invariably made in the name of assuring the "continued viability" of the farm economy and the "farm price stability" they are supposed to bring.

In themselves, we expect higher loan rates will have little impact on agriculture. (Grain prices are expected to be quite a bit higher over the next 18 months, so the new loan rates announced a short time ago will do little to support prices—and most country banks now have money to loan farmers who want to borrow against grain they have in storage.)

But as we talk about farm policy direction for the 1980's—and 1981 farm program legislation—we expect that the major impact will come through higher farmer-held reserve release and call prices brought about by increasing the loan levels.

We fully expect also that an effort will be made to point future government farm programs as much in the direction of supply management as the program we now have. The Number One objective will still be to protect consumers—first and foremost—from "high" prices and to protect producers—secondly—from "low" prices. In the process, supplies have to be managed so that prices can be kept at or near whatever prices objectives USDA sets to assure the same 96 percent of us who are off-farm consumers of a plentiful, uninterrupted supply of high quality, cheap food.

As we noted a few moments ago, the farmer-held reserve has come to be the cornerstone of the Administration's farm program. The concept, as you know,

was first put into government farm land in 1977 in an attempt by Congress to "smooth out" sharp price fluctuations brought about by changes in production and demand for exports.

But we have cause to believe that the on-farm reserve has since become a tool, or mechanism, for political management of farm prices—and, in the name of benefiting or protecting one or more segments of our economy, at the very real risk of severely crippling, or perhaps destroying, the competitive marketing system as far as production agriculture is concerned.

The level of farmer-held reserves needed to "iron out" big price ups and downs is argued among economists and among those whose business it is to analyze farm programs. And although there hasn't been much research done to determine what the relationship actually is between reserve levels and farm prices, we do know that the larger the reserves, the easier and simpler it is for government to hold grain prices within whatever it decides is the desirable range. I think we need only to look at efforts USDA has been making lately to increase the size of the farmer-held wheat reserve (from only about 260 million bushels to about 600 million bushels), in place of a paid land diversion, to realize that the people in the Department feel it's much better to have too much reserve than too little.

We are concerned right now, too, that increasing the loan price for soybeans could mean a farmer-held reserve for that commodity. If that were to happen, we are certain it would be managed the same way as our wheat and feed grain reserves.

(The government's latest action to increase prices and the amount of grain in the on-farm reserve is likely also to make it more difficult for drafting and passing a 1981 farm bill that moves us toward a more market-oriented agriculture.)

We often hear the argument that the farmer-owned reserve helps keep farmers' prices above cost; helps balance exports and prices; gives producers an alternative to the CCC loan; reduces year-to-year swings in acreages; assures our foreign customers of a stable supply at reasonable prices; and lessens chances of embargoes.

We are aware also that there are those in support of the farmer-held reserve concept who say we have to keep the on-farm buildup, or else when the grain comes on the market—and, sooner or later, we need to keep in mind, it will be released—prices will be depressed. We would point out, however, that there is every reason to believe that these reserves will more than likely be around for quite awhile . . . probably for years—and unless there is a drastic turn-around in the basic philosophy of feneral farm policy-makers, this government-managed supply (even though farmer-owned) will guarantee that favorable price movements as far as farmers are concerned will be kept at levels the planners feel are acceptable.

In the last analysis, the most disturbing feature—to us in Farm Bureau—of the on-farm reserve as it now operates is the intervention by government in the market that political and bureaucratic tinkering with release and call prices, and with reserve levels, and with loan rates, brings. This sort of meddling and disrupting—as we emphasized earlier—subverts flexible pricing and endangers our competitive marketing system.

We very strongly believe that the free market forces of supply and demand ought to be allowed to say how much of any product we should produce, to adjust consumption to use what is produced and to guide the flow of investment—land, capital and labor in the case of farming—so that all of us, farmer and non-farm consumer alike, can be sure what is needed will be produced.

Bear well in mind that once the price system cannot, or is not allowed to, work as it is intended, the authority to fix prices—at "manageable" or "stabilized" levels—become the government's. Then every decision is affected by political considerations and pressures . . . and influenced by personal ambitions and bureaucratic policies.

As it is being used at the present time, the farmer-owned grain reserve approach impresses us less and less. We suggest, in fact, that the concept as we now have it is as much a scheme to control farmers as it is a device to control production. Instead of its being the free market way, as some would have us believe, it has the potential of wrecking our markets.

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We submit that the farmer-held reserve program, as implemented today, is very much part of government efforts to manage and control food and fiber production. These kinds of stocks do not stabilize prices—except on the "low" side for farmers. Instead they hold them at levels favorable to consumers.

After all is said, pro and con, about on-farm reserves, we ought to recognize—after nearly 50 years of coercive, centrally directed and controlled government farm policies long on promises and lean on performance—that a free market still holds the greatest prospect for giving us farmers our best opportunity for profits.

Again, thank you for this opportunity.

[The following material was submitted by Mr. Martens. See p. 38 for the oral testimony of Mr. Martens.]

Cost of Production Components

Variable costs include expenditures for such production items as seed, fertilizer chemicals, custom operations, labor, fuel and lubricants, repairs, crop drying, interest, and other production items.

Machinery ownership costs include charges for replacement, interest, insurance and taxes.

Farm overhead costs include costs for recordkeeping, utilities, general farm maintenance, and other such items that are difficult to associate with a specific crop enterprise.

Management costs are imputed as 10 percent of the estimated variable, machinery ownership, and general farm overhead costs.

Land costs are composite charges determined by computing weighted averages of costs for owner-operated, share-rented, and cash-rented situations.

Short term costs include hired labor and other variable costs, taxes and insurance for machinery, farm overhead, composite land charges including land at acquisition value, and family living.

COSTS FOR PRODUCING CORN, 1970 THROUGH 1980

[Per planted acre]

Item	1970 cost	1979		1980	
		Cost	Increase over 1970 (percent)	Cost	Increase over 1970 (percent)
Nonland:					
Fuel and lubrication	$7.62	$11.13	46	$17.01	48
Fertilizer	31.88	37.96	19	46.01	21
Interest	3.13	4.23	35	6.87	62
Other variable	59.04	63.19	7	66.39	5
Total variable	97.79	111.89	14	136.62	25
Machinery ownership	30.83	37.91	23	46.90	24
Farm overhead	7.10	7.92	12	8.98	13
Management	13.56	15.77	16	19.56	24
Total, nonland	149.28	173.49	16	211.13	24
Land charges:					
Composite, land charge:					
Based on current value	85.34	107.38	26	124.33	15
Based on acquisition value	48.97	54.80	20	51.18	3
Yield (bushels)	(100.5)	(109.2)		(98.4)	
Unit costs:					
Nonland	1.49	1.59	7	2.15	35
Total, including land charge based on current value	2.35	2.97	9	3.41	33
Total, including land charge based on acquisition value	1.97	2.13	8	2.79	31
Average renter	2.12	2.25	6	3.08	36
Total, short term	1.77	1.88	6	2.41	29

See footnotes at end of table.

COSTS FOR PRODUCING WHEAT, 1979 THROUGH 1989

Nonland:					
Fuel and lubrication	$5.06	$7.63	51	$12.22	60
Fertilizer	8.02	10.01	25	12.66	26
Interest	1.39	2.68	90	3.25	61
Other variable	22.67	25.25	11	27.48	9
Total, variable	37.14	44.97	21	55.70	24
Machinery ownership	23.26	28.15	21	34.76	23
Farm overhead	7.15	7.95	11	9.62	13
Management	6.75	8.11	20	9.95	23
Total, nonland	74.30	89.18	20	109.43	23
Land charges:					
Composite, land charge:					
Based on current value	46.97	60.30	29	73.25	21
Based on acquisition value	24.16	31.31	30	36.22	16
Yield (bushels)	(29.9)	(32.5)		[3](31.0)	
Unit costs:					
Nonland	2.48	2.74	10	3.53	29
Total, including land charge based on current value [4]	3.93	4.46	13	5.74	29
Total including land charge based on acquisition value [4]	3.16	3.57	13	4.56	27
Average renter [4]	3.56	3.79	6	4.95	28
Total, short term [4]	2.54	2.86	12	3.58	26

COSTS FOR PRODUCING SOYBEANS, 1978 THROUGH 1988

Nonland:					
Fuel and lubrication	$5.71	$8.90	56	$14.24	60
Fertilizer	5.70	6.50	14	8.22	26
Interest	1.89	2.52	33	3.97	58
Other variable	43.23	46.17	7	50.95	10
Total variable	56.53	64.09	13	77.38	21
Machinery ownership	25.03	31.57	21	38.99	24
Farm overhead	7.56	8.34	10	9.46	13
Management	9.01	10.40	15	12.56	21
Total nonland	98.13	114.40	15	138.41	21
Land charges:					
Composite, land charge:					
Based on current value	81.33	93.48	15	105.66	13
Based on acquisition value	51.10	54.61	7	56.23	3
Yield (bushels)	(29.2)	(31.9)		[3](30.0)	
Unit costs:					
Nonland	3.39	3.59	6	4.61	28
Total, including land charge based on current value	6.18	6.52	6	8.14	25
Total, including land charge based on acquisition value	5.14	5.30	3	6.48	25
Average renter	5.33	5.53	4	6.97	26
Total short term	4.61	4.67	1	5.62	20

COSTS FOR PRODUCING COTTON 1978 THROUGH 1988

Nonland:					
Fuel and lubrication	$17.10	$24.30	43	$39.62	60
Fertilizer	13.40	14.30	7	18.19	26
Interest	4.16	5.63	35	8.53	52
Other variable	137.29	156.86	14	165.95	6
Total variable	171.93	200.25	16	231.69	16
Machinery ownership	56.05	68.64	22	84.46	23
Farm overhead	8.38	9.27	11	10.51	13
Management	23.65	27.77	17	32.67	18
Total, nonland	260.11	305.46	17	359.33	18
Land charges:					
Composite, land charge:					
Based on current value	56.61	69.55	23	75.42	8
Based on acquisition value	37.90	47.14	24	46.87	-1
Yield (pounds of lint)	(390)	(510)		[3](452)	
Unit costs:					
Nonland	.667	.589	-10	.795	33
Total, including land charge based on current value [4]	.714	.639	-11	.873	37
Total, including land charge based on acquisition value [4]	.671	.585	-11	.810	36
Average renter [4]	.713	.624	-12	.857	37
Total, short term [4]	.520	.454	-13	.613	35

[1] Preliminary.
[2] Projected.
[3] 15-yr trend yield.
[4] Includes deduction for value of pasture, and straw: 13 cents per bushel in 1978, 14 cents in 1979, and 15 cents in 1980.
[4] Includes deduction for value of cottonseed: 9.3 cents per pound of lint in 1978, 9.6 cents in 1979, and 8.9 cents in 1988.

STATEMENT OF JAMES V. SPRINGBORG, VICE PRESIDENT, TRANSPORTATION, CARGILL, INC., MINNEAPOLIS, MINN.

Mr. Chairman: Thank you for this opportunity to discuss priorities among the rail transportation problems facing this country. In my statement today, I want to make three simple points.

First, the railroad industry is part of a larger grain marketing system that, through market incentives and private investment, has performed extremely well.

Second, those incentives and private investment decisions will continue to prompt modernization of elevators and individual rail lines as needed and justified.

Finally, the emerging rail transportation bottleneck is congestion in outmoded railroad classification yards. Because the costs of moderizing them or bypassing them are large and private incentives not well suited to the job, this would be an appropriate area for governmental assistance.

THE GRAIN MARKETING SYSTEM'S PERFORMANCE

The U.S. grain marketing system has amply demonstrated that it outperforms those of any other country. During the 1970's, U.S. grain exports nearly tripled from 1.8 billion bushels to 5 billion bushels. While exports from other major exporting countries were largely static, the United States captured three-fourths of the growth in world grain export demand.

Cargill played an important role in reaching these goals, and its experience is useful in showing how the job gets done. One key is investment. In recent years Cargill has consistently reinvested more than 97 cents from each dollar of U.S. agricultural earnings back into facilities and services serving American farming.

Another key is innovation. Cargill has pioneered many new ideas—the first barge loading facilities on the Minnesota and Illinois Rivers; the first St. Lawrence River elevator to take advantage of the Seaway's potential; and a string of new techniques for storing, handling and shipping grain.

Perhaps the best illustration for the point I wish to make today is Cargill's introduction of the first unit grain trains in 1968. The potential productivity of this one innovation is easily illustrated. The average hopper car last year made a total of 13.5 trips. A hopper car in the unit train service Cargill started at Gibson City, Illinois has regularly been completing 45 or more trips per year for each of the last 12 years.

A third key is competition. The U.S. marketing system pits buyers and sellers against each other. New business is earned by offering better price and service. No patents or franchises protect marketing innovations, and successful ones are quickly copied. For example, today there are 12 other unit-train loading stations within a 50-mile radius of that first one Cargill built in Illinois and hundreds more scattered across the Corn Belt. The opportunity to do business is not guaranteed but earned, and profit margins remain low. Cargill's grain division earnings remain, on average, less than two cents per bushel.

The fourth key is anticipation. In private enterprise, few are rewarded for reacting to customer demands. Rather, a market economy rewards the person who foresees a need emerging, invests to get ready to fill that need and then provides the service efficiently when it finally is demanded. Cargill didn't wait until the surge in export demand to lease covered hopper cars, build trainloading stations and begin shipping export grain on unit trains. Those ideas had already taken hold when the opportunity to meet surging export demand first materialised. Government-controlled systems simply lack the flexibility nurtured by private enterprise.

RAIL TRANSPORT PERFORMANCE

These four keys to successful performance—investment, innovation, competition and anticipation—are at work in the rail industry as well. We have heard so much of bankruptcies, car shortages and other railroad problems that we lose sight of what this industry has accomplished. The railroads are a vital transportation link in grain exporting, handling about 65 percent of U.S. grain export shipments. Grain exports could not have tripled over a decade unless the rail industry was doing a lot of investing, innovating, competing and anticipating.

The "car shortage" issue is an excellent example. Hopper car deliveries to railroads and private shippers in 1979—at nearly 20,000 cars—were more than

double deliveries a decade earlier. In 1980 the United States will export a record 5 billion bushels of grain, and yet the "car shortage" will essentially disappear. My forecasts for the next decade convince me that the United States has sufficient hopper-car building capacity to meet its foreseeable needs and that railroads and shippers will respond to market incentives to order sufficient cars to meet those needs.

I don't think that there is any need for government to become involved in planning train loading stations, citing them or encouraging their construction. The response of grain shippers and grain-carrying railroads over the past decade makes clear that such facilities will be built quickly where they are economically viable. Government involvement here at best will result in wasted and misallocated resources; at worst, it will disrupt the evolution of a private marketing system to meet farmers' future needs.

THE RAIL YARD BOTTLENECK

In other words, I believe that grain shippers and the railroads serving them can and will make the necessary investments in cars, locomotive power, elevators and track. This process necessarily will yield a trimmer, more slimmed down railroad network. Some communities and shippers will face adjustment problems as they develop alternative marketing channels. But those adjustments will be made, just as county elevators without trainloading capacity have been able to find new marketing roles in response to that change. The strength of a market-oriented system is its ability to guide this search for efficiency, productivity and profitability better than government can.

That is not to say that no serious rail industry problems remain nor that government can't play a role in solving them. There is a serious problem—poor rail care utilization. The cause of the problem in my judgment is congestion at railroad classification yards. And government can stimulate a solution to this problem by advancing some of the funds needed to rebuild—or bypass—outmoded yards, to be recovered by toll charges on cars using the new facilities. Let me explain how I reach this conclusion.

"Car shortages" have become a convenient symbol. They reflect an elevator operator's frustration when he can't get cars to load. But the problem is no longer a shortage of cars. In fact, it is likely that adding additional hopper cars would simply clog the system further, driving down the productivity of each car. As an example, had the average hopper car completed 17.5 trips rather than the actual 13.5 trips this past year, the record agricultural tonnage could have been marketed with 18,000 fewer cars and resulted in no car shortage.

Car productivity is pinched by many factors—availability of locomotive power, adequacy of car control techniques, "slow down" orders on main lines and congestion in rail yards. Most of these problems are being solved. Investment in locomotives is strong. Computer techniques are improving car control. Some of the problems need more work but don't fully explain poor car productivity. For example, increasing main line speed from 30 to 50 m.p.h. saves only about 5½ hours on a 400 mile trip.

The importance of the rail yard problem can be illustrated by Cargill's experience with two different unit trains. Cargill's unit train movement from Central Illinois to the Louisiana Gulf shuttles back and forth over that 1,850-mile distance in 6 days. A unit train movement Cargill operates from Northwest Iowa to the Texas Gulf takes 20 days to complete a 2,400-mile round trip. The one-third greater distance does not explain why the trip takes more than three times as long. The explanation is simply that the Illinois-Louisiana Gulf train essentially bypasses all rail yards while the Iowa-Texas Gulf train must pass through rail yards in Kansas City and Houston. If we could achieve the same level of car productivity from Iowa as we do from Illinois, the car requirements would be reduced by at least 80–85 percent for that run.

Rail yards are a source of congestion and lost efficiency because they are outmoded. Most were designed and built in the 1800's. They were constructed to the needs perceived then. A full carload then typically weighed 20 tons or less, permitting use of lighter rail than required by today's 100-ton hopper cars. Back then the standard car was 36 to 40 feet long; today it is 60 feet. This 50 percent increase in car length shrinks storage and switching capacity of a yard by a comparable amount. Growth of cities around those terminals also has aggravated this problem.

Running today's railroads through these inadequate, outmoded terminal yards is wasting time, capital and energy. Rail yards are limiting commodity flows as surely as the neck of the hour glass limits the flow of sand.

At the same time, rail yard rehabilitation is difficult and expensive. Often, terminal yards are owned and run as joint ventures of several rail companies. Getting agreement to invest in yard upgrading is virtually impossible, as each railroad has demands for capital from its own line operations. The plight of the poorest railroad in the joint venture determines the scope of joint cooperation. And, rehabilitation can be terribly expensive.

Yet, the stakes are equally high. Had each hopper car last year taken 4 more trips, not having to buy 18,600 hopper cars would have yielded an $800-million savings. Without increases in car productivity, the fleet of 100-ton hopper cars will have to double over the next 10 years at a capital cost of $5 billion.

This combination of circumstances—inadequate opportunity for private initiative plus the potential for large, system-wide savings—is one in which government involvement makes sense. Government loans for rail yard rehabilitation—or, in some cases, bypassing rail yards—would spur needed modernization. The loans could be recouped by charging each car using the new facility a toll equivalent to one day's per diem. My experience tells me that railroads and shippers could absorb that cost and still be ahead because turnaround time for cars would be reduced on average by at least twice that amount.

CONCLUSION

In sum, railroads and shippers responded to the enormous transportation challenges of the 1970's very well. With policy changes now in process, they have most of the tools needed to meet the challenges of the 1980's, as long as adjustments to economic realities are permitted to go ahead expeditiously. The largest stumbling block now is poor car utilization, caused mainly by antiquated, congested rail yards. Government support for rail yard rehabilitation can be designed to be self-financing while contributing to large gains in the overall efficiency of the rail system. That would be a worthy form of public involvement.

Thank you.

STATEMENT OF JOHN W. LAMBERT, CHAIRMAN, CHIEF EXECUTIVE OFFICER, TWIN CITY BARGE & TOWING CO., ST. PAUL, MINN.

There are three basic issues effecting river transportation that impact on Minnesota agriculture. They are as follows:

1. The constraint imposed on the system at Lock and Dam 26;
2. The problems of channel maintenance;
3. The difficulty in attaining barge fleeting or mooring spaces on the river front.

LOCKS AND DAM 26

The construction of a new dam below the existing one at Alton and the construction of one new chamber was authorized by Congress in 1978 through Public Law 95-502.

Construction is now proceeding, and based on the present engineering plan, the new chamber will be operational in 1988.

Since 1979 it has been apparent that the present locks were saturated. Current downbound traffic has leveled out at a peak of approximately 38 million tons per month. Based on an assumed average navigation season of 9½ months, the maximum annual capacity is, therefore, 36 million tons of downbound grain.

We predicted this problem and this finite capacity in a detailed study done by the accounting firm of Peat, Marwick, Mitchell & Co. in September, 1979. A copy of that study is attached for the benefit of the Committee (Attachment 1).

It must be emphasized that adding more barges and more power will not relieve the congestion, but only compound it. Something is full when it can't hold any more, and Lock and Dam 26 is full all the time with a continuous waiting line.

It should be noted from the Peat Marwick study that if export grain demand continues at the present growth rate from points above Alton, Illinois, the demand by 1988 will have exceeded the capacity of the newly activated lock chamber. If we are not to replace one bottleneck with another, it is, therefore, imperative that Congress authorize the second chamber at the new site.

The issue of the need for this second chamber was recognized by Congress in Public Law 95-502. That act mandated an "immediate evaluation of the economic need for a second lock" by the Upper Mississippi River Basin Commission. To date the Commission has persisted in pursuing its own study timetable and has indicated its defiance of the Congressional sense of urgency.

Assuming that United States Department of Agriculture forecasts of export demand through 1987 are correct, and assuming that there is no transportation alternative to move that grain which cannot transit the old Lock and Dam 26, the loss of agricultural exports will be enormous. That deficiency will total 82.5 million tons by 1987. In agricultural terms, that's 2.8 billion bushels. In terms of present farm commodity values[1] it represents lost exports of over $1 billion to Upper Midwest agriculture.

Present delays at Lock and Dam 26 also constitute a hidden tax on the movement of all commodities moving to and from shippers in Minnesota. It is estimated by the American Waterway Operators, Inc., the barge industry trade association, that the cost of fuel, labor, supplies, interest and other expenses incurred in operations of vessels waiting to transit Lock and Dam 26 will approximate $40 million in 1980. These costs of operations are passed on thru freight charges just as are normal running costs.

CHANNEL MAINTENANCE

With the enactment of Section 402 of the Federal Water Pollution Control Act of 1972, the States were required to establish water quality standards.

With the enactment of Section 404(t) of the Federal Clean Water Act of 1977, the States were given more definite authority to exercise a considerable degree of control over the discharge of dredged material on navigable waters.

The subsequent effect of these dual legislative devices has been a steady reduction in the quantity and quality of channel maintenance dredging on the Upper Mississippi River and on many other river segments.

Two of the more prominent Upper Mississippi River channel closures caused by the lack of proper channel maintenance occurred in May, 1978 and in July, 1980. The first one was at the Mouth of the Chippewa River just below Lake Pepin. The second one was between Iowa and Illinois about 36 miles south of Dubuque.

In each case the river was closed to all navigation for about one week. In the 1978 case some 200 barges were idled, and in the instance below Dubuque, over 350 barges were tied up. In the last case it was estimated that loaded barges were carrying cargoes valued at $50 million.

The State agencies in each case claimed these occurrences were caused by navigational errors. Apart from the fact that these opinions are expressed by those totally unqualified in the field, each case involved removing the closure by dredging huge amounts of material. At the Mouth of the Chippewa they dredged over 100,000 cubic yards and below Dubuque over 65,000. A mere grounding can't cause this sort of shoaling.

It is almost certain that the Corps of Engineers would testify that they are doing an adequate job given the funds and equipment available and working within the constraints imposed by the various states. They also work at the direction of the Secretary of the Army and an Administration that has favored environmental demands over the concern to move essential commerce.

But it is documented fact that the Corps has done steadily less maintenance, and the potential for groundings has increased as the bottom of the river has been brought closer to the top by calculated State-Federal negotiation. (See attached statistics re St. Paul District dredging (Attachment 2).

Attached is a list of other recent channel maintenance problems related to the American Waterways Operators, Inc. by the Corps of Engineers (Attachment 3). While all of these don't effect Minnesota ag commodities, we show them to demonstrate that the problem is general and that the occurrence below Dubuque was not an isolated incident or a freak of nature.

Along with their ignorance of and disregard for the role of waterborne commerce, the State environmental agencies have never had to face the reality of a major flood on the Upper Mississippi River since enactment of Section 404(t). We are living on borrowed time in this respect. One of these years we will have

[1] Value arrived at by using $4 per bushel.

a major flood—they come on the average of one every five years—and this river will be one long series of obstacles. Unless the Congress redefines their intent in this matter, you could see the Upper Mississippi River closed to shipping for an entire season.

There is no fleet of dredges waiting in the wings to tidy up the river each five years. The Corps has only three or four units to cover several hundred miles. Most private dredging companies have gone out of business in this region. Since about 1975 state and federal regulators regarded dredge operators on the social scale slightly above prostitutes. They were mostly legislated, or rather regulated out of business.

BARGE FLEETING

While the volume of traffic on the Upper Mississippi River has grown steadily over recent years (Attachments 4 and 5), there have been concurrent demands for river land use. Parks, recreation, and open space are all legitimate public uses of the river, its bottom lands and adjoining shoreline.

Since the public has not perceived that it has had any direct stake in commerce, it has been relatively easy for State and Federal agencies to remove vast areas of land from the private domain and deed them over to public park purposes. This has been done on such a wholesale basis in the past ten years that there is now considerable conflict in the Twin Cities and even smaller towns like Red Wing and Winona over the expansion of barge mooring areas and even the continuation of some existing fleets.

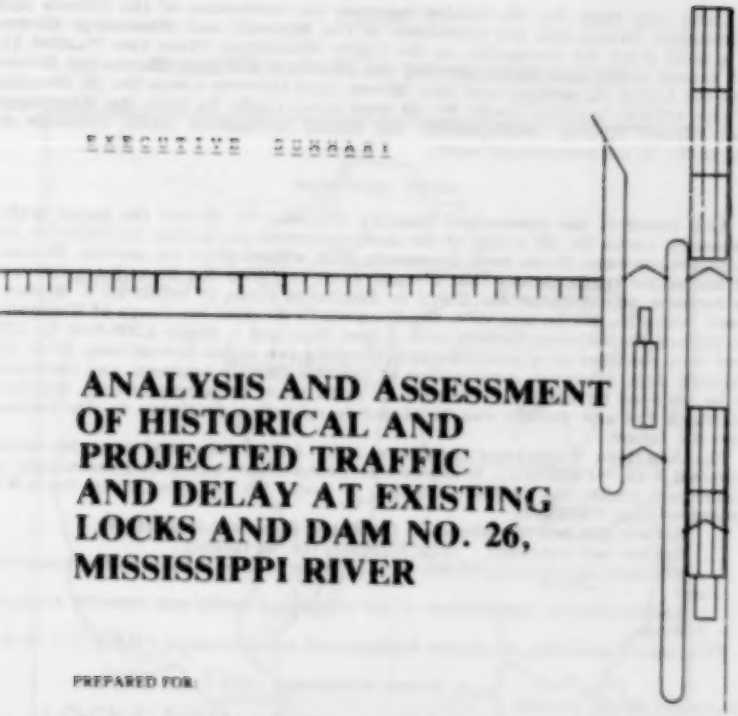
Recent attempts at comprehensive land use planning in the Twin City Metropolitan river corridor have involved scores of meetings with cities, counties, the Metro Council, Watershed Districts, the state Environmental Quality Board, and a variety of Federal agencies.

There is no lead agency to correlate the differing views and no one agency with ultimate responsibility. River commerce interests are unable even to seek judicial relief because we can't find the end of the review process so as to exhaust our administrative remedies.

The bottom line problem is that while barge demand has increased primarily for agricultural commodities, we have run out of space to tie off barges. The best current hope for resolving the dilemma is an approval of a St. Paul Port Authority plan by the State Environmental Quality Board. This action—not yet even in sight—would then allow the Port Authority to file an application for permit with the Corps of Engineers which would trigger a two or three year EIS process.

This incredible tangle of environmental review and overlapping authority has been caused by the regulations promulgated under the National Environmental Policy Act of 1969 and the Federal Water Pollution Control Act of 1972. By the failure of Congress in subsequent years to refine, clarify or compress the process a moratorium on fleeting and all other commercial, water oriented developments has become a virtual reality.

EXECUTIVE SUMMARY



ANALYSIS AND ASSESSMENT OF HISTORICAL AND PROJECTED TRAFFIC AND DELAY AT EXISTING LOCKS AND DAM NO. 26, MISSISSIPPI RIVER

PREPARED FOR:

The American Waterways Operators, Inc.

SEPTEMBER 1979

PREPARED BY
PEAT, MARWICK, MITCHELL & CO.

ATTACHMENT 1

Executive Summary

Locks and Dam No. 26, located between the confluence of the Illinois and Mississippi Rivers and the confluence of the Missouri and Mississippi Rivers, is a focal point for navigation on the Upper Mississippi River (see Exhibit 1). All inland navigation traffic between the Illinois and Upper Mississippi Rivers and the Lower Mississippi and Ohio Rivers must traverse Locks No. 26. Because of this critical location, Locks No. 26 must serve traffic for both the Mississippi and Illinois Rivers. Consequently, the inland navigation traffic demands at Locks No. 26 are exceedingly heavy.

Study Objectives

As a result of the constrained capacity of Locks No. 26 and the major traffic demands, Locks No. 26 is one of the most congested navigation facilities on the inland waterways. Tows must frequently wait several days for service. Because of the major traffic delays that already exist at Locks No. 26 and are forecast to increase significantly, the Corps of Engineers plans to construct a Replacement Locks No. 26. In late 1978, the Congress authorized the Corps of Engineers to replace the existing facility with a new dam and a single 1,200-foot by 110-foot lock chamber at a location approximately two miles downstream from the existing dam. However, construction of the new facility has been, and continues to be, delayed by litigation—now in its sixth year. As a consequence, the date at which the new facility can be placed in operation continues to slip further into the future.

The American Waterways Operators, Inc. (AWO) requested Peat, Marwick, Mitchell & Co. (PMM&Co.) to conduct an independent review and assessment of waterways traffic and congestion delays at Locks No. 26. Specifically, the AWO requested that PMM&Co.:

Review and describe historical traffic and delay at Locks No. 26;

Review and summarize traffic forecasts for the facility;

Evaluate the capacity of the facility to serve these future traffic demands; and

Assess selected implications of the forecasted traffic and capacity analysis findings.

This report describes the major findings and conclusions of PMM&Co.'s study.

Major Findings

Historical traffic growth

Since Locks No. 26 was opened to traffic in 1938, the tonnage traversing the facility has increased from 1.3 million tons to 62.5 million tons per year. In the 12-year period between 1966 and 1978, total tonnage traversing Locks No. 26 increased by 27.6 million tons—an average compounded growth rate of 5.2 percent per year. By far the largest tonnage growth in the period between 1966 and 1978 is related to the agribusiness. Shipments of farm products increased by 19.9 million tons (or 150 percent) in this period, and shipments of chemicals increased by 2.46 million tons (or 158 percent). About 65 percent of the total chemical shipments in 1977 were agricultural chemicals. Together, these two largely farming-related commodity classes accounted for about 81 percent of the increase in commodity movements which occurred at Locks No. 26 between 1966 and 1978.

The major and growing importance of grain movements through Locks No. 26 is further illustrated by an analysis of the commodity distributions in 1966 and 1978. Whereas grain constituted about 54.6 percent of the total tonnage in 1978, it constituted only 40.2 percent of the total in 1966. Chemicals also increased their share of the total tonnage between 1966 and 1978—from about 7.5 to 10.5 percent.

In the 1966 to 1977 period, total tonnage grew at an average annual compounded growth rate of 5.0 percent. Downbound movements through Locks No. 26 have grown at an average annual compounded growth rate of 7.5 percent, whereas upbound movements have been growing at a much slower rate—only 2.3 percent. The proportionately greater growth of the downbound movements as compared with the upbound movements is related to the rapid growth in grain traffic. In 1976, 100 percent of the grain traffic was downbound. Furthermore, grain constituted 80 percent of the downbound traffic.

EXHIBIT I

MAJOR WATERWAYS OF THE MISSISSIPPI BASIN

Lock utilization: surplus time available to serve additional lockages

The surplus time available to serve additional lockages is defined as the total time available minus the time already devoted to lockage operations minus the downtime. An analysis of the surplus time available at the main chamber of Locks No. 26 during the nonwinter months of 1977 indicates that out of the total available time of 6,600 hours (or 275 days), only 174 hours (or 7.2 days) were surplus time during which the main chamber could have served additional waterway traffic. In other words, after serving the lockage operations that occurred and allowing 2 percent downtime over the course of a 9-month shipping season, the main chamber had only about 37 minutes per day available to serve additional traffic. Given this low average available time, many days occurred when the main chamber had absolutely no time available to serve additional traffic. This extremely low available surplus time over the course of a 9-month shipping season emphasizes the extent to which the main chamber at Locks No. 26 has approached its maximum capacity. While the auxiliary chamber at Locks No. 26 has a somewhat greater surplus time, it can provide, at best, only 15 percent of the maximum capacity of the facility. Thus, the main chamber at Locks No. 26—the key chamber for serving waterway traffic—already in 1977 had only 2.6 percent of its time available to serve additional waterway traffic over the entire course of the 9-month shipping season.

Tow delay at Locks No. 26

Historical data for the last 3 years on the average waiting time for the entire 9-month shipping season for the main and auxiliary chambers is as follows:

AVERAGE WAITING TIME (9-MO SHIPPING SEASON—APRIL THROUGH DECEMBER)

[In hours]

Year	Main chamber	Auxiliary chamber
1976	11.3	9.1
1977	10.2	6.9
1978	18.7	13.0

During the 1978 shipping season, the average tow waited nearly 19 hours to use the main chamber at Locks No. 26 and nearly 14 hours to use the auxiliary chamber. In March, June, and July of 1978, the average delay for tows using the main chamber was over 1 day. Between 1977 and 1978, the average tow delay in the main and auxiliary chambers increased by 83 and 100 percent, respectively, whereas tonnage traversing the locks increased by about 7 percent to a rate of over 62 million tons per year. As the lock approaches its capacity, even small increases in traffic can result in very large increases in delay.

Economic and energy costs of delay

The major delays that were and are being encountered at Locks No. 26 represents a significant economic burden for shippers, the consumers of the goods, and the inland navigation industry. The economic and energy costs of tow delay at Locks No. 26, for the full years 1976 through 1978, are presented in Exhibit II.

For the entire year 1978, the economic cost of congestion delay at Locks No. 26 was $25.8 million. Although this cost was initially borne by the inland waterway industry, it was passed through to the shippers and ultimately to the consumers of the goods shipped. Analyses by the Corps of Engineers indicate that annual congestion reduction benefits of $30 million per year are alone sufficient to justify construction of Replacement Locks No. 26. Thus, in 1978, about 86 percent of the cost of constructing Replacement Locks No. 26 could be justified by the reduction in congestion delay that actually occurred at the facility. In addition, of course, other economic benefits will be obtained from Replacement Locks No. 26. Construction of the new facility would also result in a substantial reduction in the fuel tows consume while waiting for the facility.

Traffic forecasts for Locks No. 26

Forecasts of total tonnage for Locks No. 26 have been prepared by the Corps of Engineers based on extensive economic analyses. These forecasts of total ton-

nage indicate that by 1985, the most likely traffic level at Locks No. 26 will be 76.2 million tons and that by 1990, the most likely traffic level will be 88.9 million tons. It should be emphasized that these Corps forecasts presupposed that there were no capacity constraints at the facility.

The three principal agricultural commodities grown extensively in the Locks No. 26 service area [1] are corn, soybeans, and wheat. The U.S. Department of Agriculture's most probable forecasts of corn, soybean, and wheat exports and of production of these commodities in the Locks No. 26 service area are presented below:

[In percent]

Grain	Average annual compounded rate of increase in —	
	Exports (1976–90)	Locks No. 26 service area production (1976–90)
Corn	1.6	1.5
Soybeans	4.7	4.5
Wheat	2.3	1.4

EXHIBIT 11

ECONOMIC AND ENERGY COSTS OF DELAY, 1976–78

Year	Annual tonnage (tons)	Economic cost of delay	Fuel consumed while tow delayed (gallons)
1976	57,875,000	$13,500,000	4,654,000
1977	58,369,000	10,400,000	3,230,000
1978	62,531,000	25,800,000	6,730,000

Source: PWW & Co. analysis of tonnage and delay data, by month, for the period January 1976 through December 1978. Historical data for October 1978 indicate that the average cost of delay for the average tons moving through Locks No. 26 at that time was $0.820 per ton per hour (in 1978 dollars). (See: "Locks and Dam No. 26 (Replacement), Supplement No. 2 to Design Memorandum No. 2, General Design Memorandum," St. Louis District Corps of Engineers, St. Louis, Mo., May 1979, p. 20–13.) An average towboat delayed at Locks No. 26 may, under certain conditions, consume up to 51.3 gallons of fuel per hour while waiting to use the facility.

The critical role played by Locks No. 26 with regard to the grain export trade is further indicated by the fact that a total of about 115 grain terminals are located above Locks No. 26 on the Upper Mississippi and Illinois Rivers. About 58 grain terminals are located on the Upper Mississippi River, and about 57 are located on the Illinois River. All the grain shipped from these terminals to New Orleans and other Gulf of Mexico export locations must pass through Locks No. 26. Because Locks No. 26 is the capacity constraint between the joining of the Upper Mississippi and Illinois Rivers and open river south of St. Louis, it is the critical congestion point with respect to the grain export trade.

Overall, these findings and data strongly indicate that U.S. corn, soybean, and wheat exports will continue to grow in the future, and the need to transport these grains from their growing areas in the Locks No. 26 service area to the export ports on the Gulf Coast will also continue to grow. Locks No. 26 is the critical capacity constraint on the waterway transportation system for export grain movements. Because the existing Locks No. 26 is operating at capacity (with consequent exceedingly long delays to tows[1]), it will not be possible to transport the future forecast increases in export grain flows from their growing areas to the export ports until Replacement Locks No. 26 is placed in operation and the impediment to navigation represented by the existing facility is removed.

[1] States located in the Locks No. 26 service area are: Illinois, Iowa, Missouri, Minnesota, North Dakota, South Dakota, and Wisconsin.

Capacity of existing Locks No. 26

The "most probable" practical economic capacity of Locks No. 26 is as follows:

	Direction		
	Downbound	Upbound	Total
Monthly capacity:			
Barges	3,473	3,473	6,945
Tons	3,433,000	2,820,000	6,653,000
Annual capacity:			
Barges	32,989	32,989	65,978
Tons	36,420,000	26,787,000	63,207,000

This should be understood as an "average month" and "average year" capacity assessment, which takes into account the variations in weather and other factors that affect lock capacity. If all the factors that affect lock capacity, in addition to traffic level, were optimal during a given period, the actual tonnage of barges traversing Locks No. 26 might be somewhat greater than this estimate. However, the actual history of weather and other conditions at Locks No. 26 indicates that the factors affecting lock capacity vary significantly and most frequently are not "optimal." It is in this sense that the above figures represent an estimate of the "most probable" capacity of Locks No. 26 for the average month or average year.

CONCLUSIONS

1978 traffic level versus facility capacity

The first major conclusion of this study is that Locks No. 26 was essentially operating at its practical economic capacity in 1978. In that year, about 62,531,000 tons were served at Locks No. 26. A comparison of this traffic level with the estimated annual capacity of 63,207,000 indicates that Locks No. 26 had essentially no excess capacity in 1978. The tonnage traversing Locks No. 26 in that year was 98.9 percent of the estimated annual capacity of the facility.

Downbound capacity is the key capacity constraint

The second major conclusion of this study is that the key capacity constraint exists for downbound rather than upbound traffic at Locks No. 26. The time Locks No. 26 requires to serve a barge is essentially independent of whether the barge is empty or loaded. About 80 percent of the downbound barges are loaded—predominantly with grain destined for export to other countries. Downbound barges that are empty cannot be used to transport additional grain because they are devoted to the upbound transport of liquid chemicals or petroleum products (and cannot be used to transport grain) or because many are older barges devoted solely to the transport of coal (and have deteriorated too much to be used for grain transport). Thus, Locks No. 26 is operating at capacity in the downbound direction. It is not physically possible to move a larger number of barges through the locks, and it is infeasible to increase the already high proportion of loaded barges—given the commodity mix using the facility.

If the appropriate traffic were available, however, additional upbound tonnage could be served at Locks No. 26. About 50 percent of the upbound barges are loaded—primarily with chemicals, coal, and petroleum products. If appropriate dry bulk upbound traffic were available (e.g., coal, dry bulk chemicals), they could be transported through Locks No. 26 without further aggravating the congestion delay at the facility. This would be accomplished by transporting the extra dry bulk upbound tonnage in upbound covered hopper barges which are predominantly used to transport grain downbound and would otherwise be empty when moving upbound.

Forecasted capacity deficiencies

The third major conclusion of this study is that given the "most likely" tonnage projections for Locks No. 26 prepared by the Corps of Engineers:

the facility will operate at its practical economic capacity in 1980;

a significant 2.8 million ton per year capacity deficiency will occur in 1981; and

the capacity deficiency of the facility will increase yet further through

the decade of the 1980s until Replacement Locks No. 26 are opened to service and the existing Locks No. 26 are removed.

An analysis of the forecasted capacity deficiency of the facility during the decade of the 1980s is presented in Exhibit III.

Even if construction of Replacement Locks No. 26 were to begin immediately, the new facility could not be placed in operation before the capacity of the existing facility was exhausted. The Corps' construction schedule for Replacement Locks No. 26 anticipates that a period of 8 years will be required to construct the new facility to the point when the new locks are placed in operation. Completion of the project to the point when the existing locks are removed so as not to constitute a capacity constraint to navigation will require 9½ years. If construction of Replacement Locks No. 26 were to begin in the next few months, the new locks would not be opened to traffic until late 1987 or early 1988, and the existing locks would not be removed until mid-1989. Therefore, even if construction of the new facility were to begin immediately, there would be a minimum 9-year period (1981–1989) during which the traffic demands at existing Locks No. 26 would exceed the practical economic capacity of the facility.

As traffic demands at existing Locks No. 26 approach the capacity of the facility, congestion delays will rise to levels even higher than those of 1978. Faced with such enormous delays—and the uncertainties of when their shipments will arrive—some shippers will choose alternative, more expensive modes or will simply not be able to ship their products to market. Thus, from the real world perspective of shippers, farmers, consumers, and waterway users, even if construction of Replacement Locks No. 26 were to begin immediately, there would be a 9-year period before the new locks were placed in operation (1981–1989) when the existing facility could not practically serve the traffic demands.

EXHIBIT III

PROJECTED CAPACITY DEFICIENCY ANALYSIS FOR EXISTING LOCKS NO. 26

[In millions of tons except percent]

Year	Most likely total traffic demand[1]	Annual capacity[2]	Capacity deficiency	
			Tons	Percent of total traffic demand
1979	61.96	63.71		
1980	63.20	63.71		
1981	65.98	63.21	2.77	4
1982	68.87	63.21	5.66	9
1983	71.96	63.21	8.75	12
1984	75.15	63.21	11.94	16
1985	78.56	63.21	15.35	20
1986	81.03	63.21	17.82	22
1987	83.51	63.21	20.30	24
1988	86.19	[3]72.69	13.50	16
1989	88.87	[3]72.69	16.18	18

[1] Most likely Corps of Engineers traffic projections presented in exhibits IV-1 and IV-2 divided by factor of 0.97 to convert from tonnage estimate based on Waterborne Commerce Statistics Center commodity movement data to Lockmaster commodity movement data (as explained in sec. III).

[2] Capacity of existing facility as determined in sec. V.

[3] Capacity of existing facility after Replacement Locks No. 26 is placed in operation but before the existing facility is modified, so that it no longer constitutes an impediment to navigation (see sec. VI).

Source: PMW & Co. analysis.

Removal of existing structure

The fourth major conclusion of this study is that the existing structure will constitute a capacity constraint to navigation for a period of 1½ to 2 years from the time when Replacement Locks No. 26 is placed in operation (late 1987 to early 1988) until modifications of the existing structure are completed in mid-1989.

Requirement for a second chamber at Replacement Locks No. 26

The Act of Congress authorizing Replacement Locks No. 26 provides for a 1,200-foot by 110-foot chamber and for study by the Upper Mississippi River Basin Commission (established under the authorizing legislation) of the requirement for a second chamber at Replacement Locks No. 26. Based on the research

conducted in this study, the following can be concluded concerning the requirement for a second chamber with a minimum size of 600-feet by 110-feet at Replacement Locks No. 26:

A second chamber of at least 600 feet by 110 feet at Replacement Locks No. 26 is required to serve the major increases in traffic demands at the facility that are forecasted for the 1980s. Without a second chamber, considerable delays and queues of tows will occur at Replacement Locks No. 26 soon after the facility is opened to traffic and existing Locks No. 26 is modified so as not to impede navigation.

Provision for two chambers at Replacement Locks No. 26 (a main 1,200-foot by 110-foot chamber and an auxiliary 600-foot by 110-foot chamber) is identical to the capacity of Locks No. 27 immediately downstream and the last navigation structure between Locks No. 26 and open river south of St. Louis.

A second chamber at Replacement Locks No. 26 is highly desirable for operational reasons. It can be used by lightboats and recreational vessels so that these important traffic demands do not diminish the productive capacity of the main chamber. Furthermore, it provides an alternative chamber when maintenance is being performed on the main chamber and during emergencies.

In summary, a second 600-foot by 110-foot auxiliary chamber at Replacement Locks No. 26 would allow the inland navigation industry to obtain its fair share of the forecasted growth in shipper demand and is highly desirable for operational purposes at such key inland navigation facility.

IMPLICATIONS FOR U.S. GRAIN EXPORTS

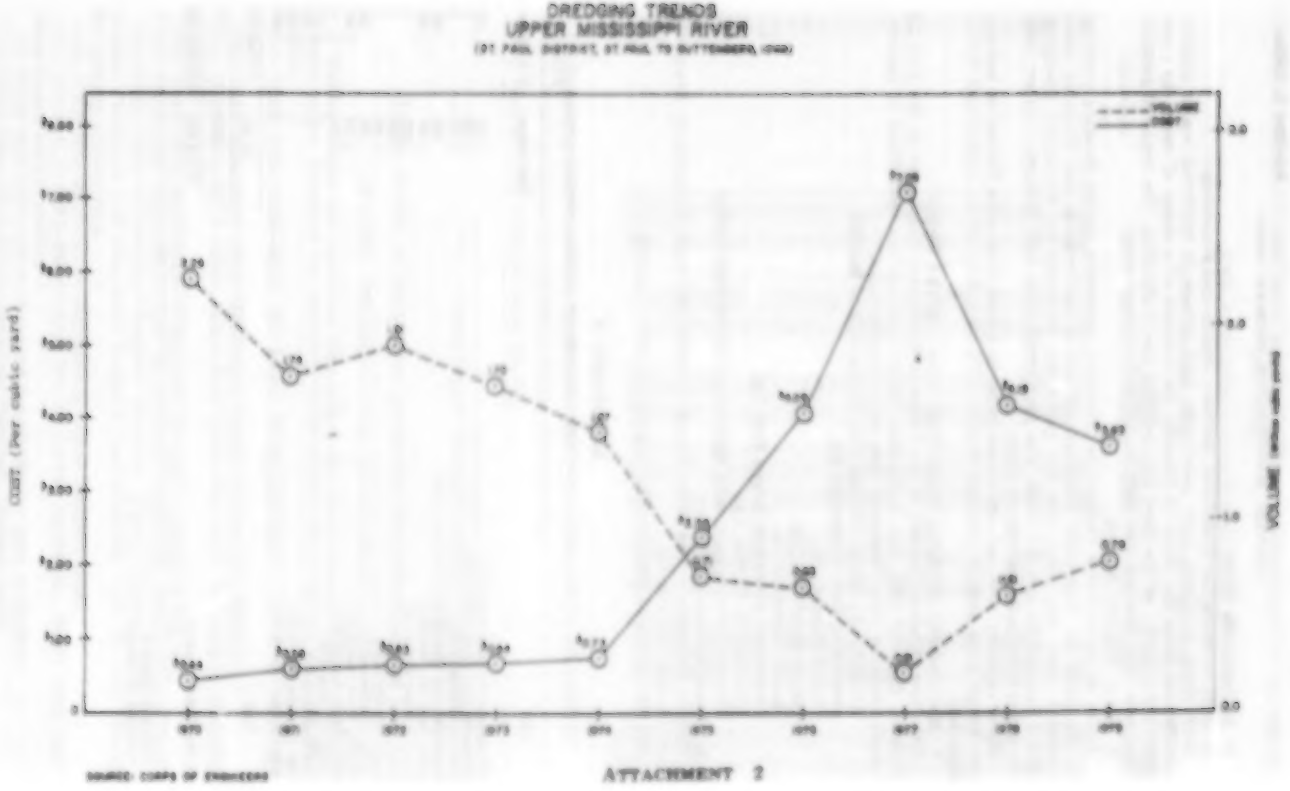
It was emphasized above that grain exports constitute most of the traffic growth projected for Locks No. 26 in the decade of the 1980s (as well as most of the traffic growth which has actually occurred during the decade of the 1970s). The importance of Locks No. 26 to the U.S. grain export trade—particularly for corn, soybeans, and wheat—must be understood to appreciate the broader implications of the congestion delays and capacity insufficiency which have been forecast above for existing Locks No. 26 for the next decade.

Analyses by various Federal Government agencies have indicated that the railroads (the only viable alternative mode for most of the Locks No. 26 corn and soybean export traffic through Gulf Coast ports) have not been able to provide adequate service to the grain traffic which has desired rail service. According to the Interstate Commerce Commission, the railroads have only occasionally had a grain cars to spare since 1972, and at no time since 1977 have the railroads caught up with the requests for grain cars. In August 1979, there was a daily shortage of 24,000 jumbo grain hopper cars.

Moreover, the Welland Canal constitutes a capacity constraint that will limit growth via the only other alternative route for grain exports—through the Great Lakes and the St. Lawrence Seaway. Recent internal studies by the St. Lawrence Seaway Development Corporation and the Corps of Engineers indicate that the Welland Canal will approach its capacity within the next few years.

In summary, the states located within the Locks No. 26 service area today confront a crisis in transporting their export grain to market. Downbound traffic at Locks No. 26 (80 percent of which is grain) was essentially equal to the practical economic downbound capacity of the facility in 1978. Locks No. 26 does not have the excess capacity available to serve the forecasted increases in grain exports during the decade of the 1980s. Furthermore, the alternative routes for transporting the export grain (i.e., railroads and the Welland Canal) are more expensive than the inland waterways and have major capacity deficiencies of their own.

The unavailability of sufficient capacity to adequately serve the forecasted grain export demands will have serious adverse implications for the U.S. balance of payments, farmer incomes, the economies of the states in the Locks No. 26 service area, and countries planning to purchase grain from the United States. Accelerated construction of Replacement Locks No. 26 should begin immediately to resolve this transportation crisis as rapidly as possible.



ATTACHMENT 2

ATTACHMENT 3

AUGUST 7, 1980.

CHANNEL MAINTENANCE PROBLEM AREAS

1. Apalachicola River:

2. Gulf intracoastal Waterway, between Mobile and Pensacola:

Both these problems were associated with delays in receiving water quality certificates from the State of Florida. As a result of a delay of more than one year, the capacity of the river was reduced due to shoaling. The required permits have now been received and work should be underway soon.

3. Black Warrior System:

About 30 miles below Coffeeville, Alabama, excessive spring flooding resulted in the need for increased dredging. Delays in performing this dredging were incurred since the Corps did not anticipate the need for increased dredging. About two weeks ago the work was performed with four dredges (rather than the usual one) on an emergency basis.

River capacity was reduced at one point to where tows were limited to moving one barge wide and at reduced depths (7½ to 8 feet on an authorized 9-foot channel).

4. Maintenance Dredging Reductions—New Orleans District:

The New Orleans District of the Corps of Engineers announced in the July 28 Federal Register that due to funding limitations, certain reductions in maintenance dredging were necessary. The reductions included:

Atchafalaya River, Morgan City to the Gulf of Mexico
Barataria Bay Waterway, La.
Bayou Rigaud, La.
Bayou Bonfouca, La.
Bayou Lacombe, La.
Chefuncto River and Bogue Vall, La.
Freshwater Bayou, La.
Houma Navigation Canal, Mississippi River Gulf Outlet

5. Upper Mississippi River:

Twelve locations in the Rock Island District (between Guttenberg, Iowa and Northeastern Missouri).

Source: Corps of Engineers in response to AWO inquiry.

ATTACHMENT 4

FLEETING SITES—ST. PAUL HARBOR (THAT WERE OR ARE LEASED BY TWIN CITY BARGE & TOWING CO.)

Site	1950 Tonnage	1979 Tonnage
Minnesota River Mouth Fleet (S.B.)	1,400	1,150
Minnesota River Mouth Fleet (L.B.)	2,800	0
State Street Fleet (S.B.)	1,316	0
Upper Twin City Fleet (S.B.)	800	800
Lower Twin City Fleet (S.B.)	1,540	1,982
Pigs Eye Bayou Fleet (L.B.)	1,000	0
South Pacific Fleet (L.B.)	1,000	0
South Port Slip (S.B.)	1,400	0
Valley Lime Fleet (S.B.)	800	800
Packing House Fleet (L.B.)	1,250	2,600
Mid-America Fleet (L.B.)	1,200	0
North Star Fleet (L.B.)	0	2,400
Red Rock Fleet (L.B.)	0	1,900
Pigs Eye Lake Fleet (S.B.)	0	3,600
Pigs Eye Lake Fleet (L.B.)	0	683
Total	14,516	1 15,715
	1959	1979
St. Paul District Tonnage	7,214,150	1 21,400,000

1 Increase 8 percent.
1 Increase 197 percent.

ATTACHMENT 5

COMPARATIVE STATEMENT OF BARGE TRAFFIC ON MISSISSIPPI RIVER AND TRIBUTARIES IN ST. PAUL DISTRICT (ALL PORTS)

(Preliminary and subject to revision (in tons))

Calendar year [1]	Receipts major commodities				Shipments out of district		Receipts and shipments
	Coal	Gasoline	Other petroleum products	All commodities	Grain	All commodities	
1939	54,709	6,513		138,047		38,566	188,610
1940	436,299	257,958	223,684	1,032,718	33,989	65,253	1,097,970
1945	556,134	281,823	353,188	1,211,205	46,612	52,747	1,263,952
1950	1,170,649	264,187	657,479	2,721,050	124,927	135,811	2,856,861
1951	1,048,728	790,869	698,970	2,548,767	188,610	228,995	2,777,762
1952	1,088,283	479,425	705,537	2,424,221	197,885	250,919	2,675,140
1953	1,261,359	910,719	584,443	3,052,144	267,844	334,233	3,386,370
1954	1,433,963	840,303	692,652	3,071,301	427,010	637,379	4,508,680
1955	1,578,229	920,243	595,415	4,781,615	815,989	995,138	5,776,748
1956	2,014,337	817,757	574,282	4,563,290	754,158	1,012,538	5,575,828
1957	1,581,530	753,926	390,855	4,356,974	1,246,468	1,480,604	5,837,570
1958	1,953,982	900,805	337,805	4,812,442	1,717,069	1,929,686	6,742,040
1959	2,276,537	926,914	728,023	5,514,736	1,575,000	[2] 1,699,422	7,214,158
1960	2,364,404	1,008,025	905,376	5,967,984	1,406,161	[illegible]34	7,653,610
1961	2,481,693	1,047,955	1,029,430	6,023,021	1,317,251	1,[illegible]991	7,605,010
1962	2,732,759	1,220,184	863,924	6,296,613	1,666,660	1,871,931	8,168,590
1963	2,899,859	1,117,020	1,102,942	6,725,593	2,314,128	2,540,670	9,266,360
1964	2,725,963	1,219,711	944,490	6,852,008	2,345,528	2,769,323	9,621,330
1965	2,692,986	1,116,046	684,572	6,577,022	2,350,636	2,628,516	9,205,538
1966	3,143,654	1,113,754	880,812	7,701,197	3,167,021	3,645,170	11,346,450
1967	3,545,785	1,402,605	874,060	7,993,504	3,218,020	3,625,345	11,618,840
1968	3,919,752	1,014,631	648,746	8,028,746	2,223,246	2,709,604	10,736,350
1969	3,621,876	952,689	822,610	8,483,519	3,992,126	4,190,909	12,647,420
1970	4,243,956	1,111,950	730,823	9,054,533	5,454,222	6,360,180	15,423,710
1971	4,353,180	1,225,304	525,045	9,187,205	5,171,568	5,882,817	15,070,080
1972	5,037,956	1,338,529	507,867	10,120,486	6,168,216	7,296,690	17,417,180
1973	3,471,376	1,163,751	458,583	8,052,242	7,188,755	8,464,205	16,516,530
1974	2,960,529	962,014	547,589	7,621,034	7,930,565	10,053,150	17,674,180
1975	4,186,050	974,812	772,102	8,980,777	5,666,532	8,983,821	17,928,600
1976 [2]	4,650,730	886,804	1,075,604	10,023,505	6,044,829	7,462,196	17,515,700
1977 [3]	4,542,000		1,049,000	9,709,000	6,861,000	10,383,000	20,088,000
1978 [3]	3,671,000		2,366,000	11,520,200	9,014,600	14,712,600	22,000,000
1979 [3]							21,400,000

[1] Data for the intervening years available in this office upon request.
[2] Estimated.
[3] Figures for 1977 and later are taken from PMS (performance monitoring system).

Source: U.S. Army Engineer District, St. Paul, St. Paul, Minn.

DEPARTMENT OF THE ARMY,
ROCK ISLAND DISTRICT, CORPS OF ENGINEERS,
Rock Island, Ill., July 29, 1980.

LOCAL NOTICE TO NAVIGATION INTERESTS—MISSISSIPPI RIVER

CHANNEL CONDITIONS—ROCK ISLAND DISTRICT

1. Falling stages are prevalent throughout the Rock Islands District. Recent channel patrol indicates the following areas should be navigated with extreme caution.

(a) UMR Mile 610.0–611.0—St. Louis Woodyard-Island 189. Buoy lines are shallow.

(b) UMR Mile 598.5–560.0—Hurricane Island. Entire area shallow.

(c) UMR Mile 547.0–548.0—Maquoketa Levee Daymark. Emergency dredging completed July 30.

(d) UMR Mile 502.5–504.0—Steamboat Slough. Channel is narrow.

(e) UMR Mile 481.3–482.5—L/D No. 15 Lower Approach. Entire area shallow.

(f) UMR Mile 471.9–472.0—Buffalo Towhead Light. Shallow and narrow. Dredge Thompson will commence dredging approximately July 31. Call Dredge for passing instructions.

(g) UMR Mile 425.0–427.0—Keithsburg Lower. Shallow reefs.

(h) UMR Mile 363.5–363.8—L/D No. 19 Lower Approach. Right bank near Coast Guard cells is shallow.

(i) UMR Mile 349.0–350.0—Buzzard Island. Entire area is shallow.

(j) UMR Mile 336.5–338.4—Howards Crossing. Shallow reefs.

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(k) UMR Mile 302.0–303.0—Saverton Entire area is shallow.
(l) UMR Mile 300.0–301.0—L/D No. 22 Lower Approach. Shallow on right bank.

2. Caution is advised at above locations.

For the District Engineer:

HENRY G. PFIESTER, P.E.,
Chief, Operations Division.

STATEMENT OF DAVIS HELBERG, EXECUTIVE DIRECTOR, SEAWAY PORT AUTHORITY OF DULUTH, DULUTH, MINN.

My name is Davis Helberg. I am executive director of the Seaway Port Authority of Duluth, a body politic and corporate created under and existing by virtue of the laws of the State of Minnesota, specifically sections 458.09 through 458.60, Minnesota statutes. Among other things, the port authority is charged with the duty of promoting the general welfare of the port district, increasing the volume of commerce through the port, and promoting the safe and economical handling of such commerce.

At the outset, for the edification of committee members who possibly are not fully aware of the significance of the port of Duluth-Superior as one of the Nation's principal agricultural trade arteries, I would like to make some brief comments about our port.

Despite a limited population (the "metro" area served by Duluth, Minn., and adjoining Superior, Wisc., is comprised of approximately 150,000 persons) and, further, despite a navigation season of only about 8½ months, the port of Duluth-Superior perennially ranks among the United States' 15 leading ports in total waterborne commerce.

All cargoes shipped through Duluth-Superior in 1979 totaled 48,296,040 short tones (see exhibit A). Prepliminary final statistics by the U.S. Army Corps of Engineers for 1978 (the latest national totals available) indicate Duluth-Superior ranked 11th among all U.S. ports and first on the Great Lakes (see exhibit B).

It should be obvious that the nearly 50 million tons of cargo which moved through our port annually cannot be generated or consumed by a population of only 150,000. Our tonnage is not captive. We are, in other words, a transit port, a gateway, a conduit through which flow the products of our mines, our forests and our hinterland prairies.

Much of our cargo is shipped domestically to other Great Lakes ports, particularly iron ore and ore concentrates as well as (for the past four years) low-sulfur western coal.

But in terms of international trade, agricultural products—chiefly bulk grains and oilseeds—are paramount.

Spring wheat, durum wheat, sunflower seeds, corn, barley, soybeans, rye, flax, oats, a variety of specialty seed, meals and pellets flow through our port in such volume during the St. Lawrence Seaway shipping season so as to represent between 6 and 10 percent of the Nation's annual grain exports.

Additionally, the port of Duluth-Superior handles significant movements of cargo shipped under the Agricultural Trade and Assistance Act of 1954 (Public Law 480, or the Food for Peace Program), including bagged bulgur wheat, corn-soya-milk, rolled oats, wheat flour, nonfat dry milk and similar blended food products; private exports of bagged barley, wheat, pinto beans, and potatoes; bulk liquid exports of sugar beet molasses, sunflower oil, soybean oil, edible and inedible grease, lard and tallow, plus imports of agricultural equipment and baler twine.

According to the Association of American Railroads, Duluth-Superior ranked second only to Houston as an unloading port for grain cars in 1978 and fourth (behind Houston, New Orleans and Baltimore) in 1979 (see exhibit C).

Meanwhile, Twin Ports elevators discharged 185,882 grain trucks in 1979. Illustrative of the growth in the carriage of grain by truck, the port handled 71,580 trucks in 1975, 85,540 in 1976; 100,571 in 1977 and 179,256 in 1978 (source: Minneapolis Grain Exchange).

As a consequence, we are highly dependent on the inland connecting services provided by railroad and trucking industries. That, in turn, means we simply must have fiscally healthy railroads, an adequate availability of rail cars and equipment, good roadbeds, good highways and, of no less importance, a competitive yet realistic inland rate structure.

From time to time we either participate in or otherwise become aware of studies conducted by Federal agencies regarding agricultural transportation. We recall

specifically, for example, the Rural Transportation Advisory Task Force of 1979 and the resultant transportation services to meet the growing needs of agriculture. We (the port authority) participated in a field hearing in Fargo, N.D., in July 1979 and observed in testimony that "we were surprised and chagrined to note that the Great Lakes-St. Lawrence Seaway system did not receive an iota of attention" in the preliminary study.

We respectfully submit that the Great Lakes-Seaway system combines elements of the best of both shipping worlds: a highly-developed inland waterway network together with direct access to overseas markets by oceangoing vessels. As energy becomes more precious, as our agricultural productivity continues to increase, as the world population continues to soar, as greater emphasis on exports continues to be absolutely essential to balance our international trade, the Great Lakes-Seaway system must be granted greater recognition by the Federal Government as a means toward helping to achieve broad national goals.

Members of the committee are fully aware of a hue and cry of many years' standing from the shipping community regarding a national railcar shortage. We do not believe, however, that the problem is merely one of numbers of cars or lack of equipment—more often than not, it is a matter of how the cars and equipment are utilized. Because of a structure that provides lower rates from Midwest origins to Gulf ports than to Great Lakes ports, and because of the railroads' veritable obsession with "the long haul," we suggest the crux of the problem is one of poor utilization of cars and equipment. It is not so much a "shortage" of cars that creates problems for exporters as it is one of unavailability.

The long-haul syndrome of certain railroads also should be viewed in terms of its effects on our national energy supply. Various studies have proven conclusively that waterborne transportation offers tremendous energy savings compared with any other mode. Acknowledging this, one may readily recognize the inherent energy advantages of routing cargoes between Midwestern inland points and Great Lakes ports as opposed to long-haul rail or truck routings to other coastal ranges.

As a brief illustration, one seaway-sized ship carrying 22,000 tons of heavy grain is the equivalent of 926 grain trucks or 219 jumbo hopper cars. Further (from the point of view of national parochialism), the trucks and rail carriers are consuming U.S. fuel, whereas most seaway ships place virtually all fuel orders outside the U.S. in an effort to maximize cargo-carrying capacity while in the Great Lakes system.

The annual winter closing of the Great Lakes-seaway system continues to plague all ports and Midwestern agricultural producers who rely so heavily on the system. The board of engineers for rivers and harbors currently is analyzing public comments to the Corps of Engineers' December 1979 final survey report recommending eventual year-round shipping on lakes Superior, Michigan, Huron and Erie and a 10-month season for the Welland Canal and the seaway's Montreal-Lake Ontario section. We have urged extension to an 11-month season for the latter area, but nonetheless are generally in concurrence with the corps' findings and recommendations (exhibit D).

Another limiting factor for seaway shippers is the imposition of—and, in recent years, the sharp increases in—seaway tolls. Tolls on bulk grain, for example, have climbed from the equivalent of 44 cents per metric ton in 1977 to 61 cents in 1978, 65 cents in 1979 and 72 cents for 1980–81. A bill to restructure the financing of the St. Lawrence seaway development corporation, H.R. 3250, has been introduced in the house by Representative James L. Oberstar of Minnesota. The proposed legislation would be a significant step toward achieving fairness for the seaway with the nation's other waterways, but it lacks companion legislation in the Senate. Therefore, we strongly urge support for similar Senate legislation.

For reference, H.R. 3258 and related testimony on the bill are attached as exhibit E.

Previous reference was made to Public Law 480, the food for peace program. We occasionally hear criticism that it represents a "give-away" program and, somehow, that it adversely affects the American economy. But while food products shipped under Public Law 480, title II, are indeed donated to the hungry, malnourished or disaster-stricken of the world, we suggest that the critics be enlightened as to the economic benefits the program also provides for the American producers, processors, railroads, truckers, warehousemen, longshoremen, and others involved in handling these humanitarian shipments.

Public Law 480 cargoes represent the single largest general cargo exports for the Western Great Lakes Ports of Duluth, Superior, Green Bay, Milwaukee,

Kenosha, Burns Harbor and, to a lesser extent, Chicago. Such cargoes, commonly shipped in 50-pound bags, are highly job-intensive—and the warehousemen and longshoremen who handle the bags are paid in hard currency. It is not a "give-away" commodity to them—it often means their own bread and butter.

Indeed, we encourage an expanded Public Law 480 program, not only for the humanitarian purposes inherent in the program, but also for what it represents to our ports.

Further, we urge that additional research be conducted to fully explore the possibilities of using other protein supplements for the program, possibly through utilization of our new, high-protein, multi-purpose "wonder crop," sunflowers. We would remind the committee that a multimillion-dollar sunflower crushing plant presently is under construction in the Red River Valley of the north and that three or four additional crushing facilities are expected to be operational by the mid-1980's.

A final comment regarding the Public Law 480 program: We doubt whether it is widely known that, during our shipping season, the Great Lakes actually serve as a cost-saver to the program and, thus, to the Government. Based on the USDA's lowest landed cost formula for allocating food for peace cargoes, Western Great Lakes ports generally receive about 30 percent of the monthly allocations from May through November. During that period, the ocean freight rates offered by steamship lines serving Great Lakes, Gulf and Mississippi River ports are extremely competitive, thus keeping a lid on total costs. But when the lakes ports are excluded from the program because of the winter navigational shutdown, the ocean rates quoted by lines serving the gulf and river take sudden and dramatic increase. It is interesting to note that those same lines reduce their rates again once the Great Lakes are reopened for navigation.

The partial embargo of feed grain exports to the Soviet Union has received considerable attention from the agribusiness community, but comparatively little notice has been paid to its effects on certain ports. We are not in a position to comment about the embargo's effect on the Soviets, but we do know this. In 1979, 56 oceangoing ships—none flying the Russian flag, but rather the flags of other maritime nations—carried 975,107 short tons of corn and barley from Duluth-Superior directly to the Soviet Union. Those cargoes represented roughly 12 percent of our port's total grain exports and contributed an estimated $16.4 million in direct economic impact on our community.

We suggest that the alternative to an embargo would have been—and still could be—a premium price attached to Soviet sales. If the Soviets indeed require the feed grain as desperately as some administration spokesmen insist they do, then they presumably would be willing to pay a price measured in dollars and cents rather than one measured in empty dinner plates on their side, empty pocketbooks on ours.

In summary, we take the liberty of reminding the committee that Great Lakes ports are (to resurrect a somewhat hackneyed expression) on the threshold of "the breadbasket of the world." The importance of exporting agricultural products—directly or indirectly destined for human consumption in a hungry world—cannot be overstated. We believe, however, that full utilization of Great Lakes ports and the St. Lawrence Seaway system would make immeasurable contributions toward further expansion of our agricultural export programs for the benefit of farmers, processors, the inland carriers and our port industries.

EXHIBIT A

SEAWAY PORT AUTHORITY OF DULUTH, PORT OF DULUTH-SUPERIOR, MARINE TONNAGE REPORT NO 9, DECEMBER AND FINAL, 1979

SUMMARY

[In tons of 2,000 lb]

	Calendar year	
	1979	1978
Total waterborne commerce	48,296,048	45,988,618
International trade:		
Imports	695,921	448,548
Exports	10,263,857	11,328,893
Domestic trade:		
Receipts	2,017,892	2,612,314
Shipments	35,318,370	31,598,863
Total number of vessels	2,164	2,237

INTERNATIONAL TRADE

[In tons of 2,000 lb]

Traffic and commodity	December 1979	December 1978	Calendar year 1979	Calendar year 1978
Overseas imports:				
Fertilizers, bulk			4,988	15,967
General cargo, excluding steel	5,490		23,260	12,709
General cargo, steel			43,284	23,212
Limestone and limestone products			37,971	
Total overseas imports	5,490		109,503	51,888
Overseas exports:				
General cargo			36,280	48,425
Grain	363,464	400,146	3,995,296	5,460,374
Grain byproducts	199,546	126,430	1,458,405	1,295,419
Liquid cargos			10,714	14,011
Miscellaneous bulk			82,179	40,594
Total overseas exports	563,010	526,576	5,582,874	6,858,823
Total overseas	568,500	526,576	5,692,377	6,910,711
Canadian imports:				
Calcium chloride, bulk			2,002	
Grain	1,894	630	13,210	9,199
Limestone and limestone products	14,191	12,939	167,640	12,939
Lumber			331	5,628
Newsprint	5,660	848	117,555	124,511
Salt	11,597	5,374	175,968	125,526
Steel			1,293	6,276
Woodpulp	4,312	232	108,419	112,581
Total Canadian imports	37,654	20,023	586,418	396,660
Canadian exports:				
Grain	237,768	128,746	1,905,866	1,801,978
Grain byproducts	15,315	32,759	15,315	32,759
Iron ore and concentrates	235,702	258,092	2,570,986	2,549,692
Miscellaneous bulk			188,816	85,641
Total Canadian exports	488,785	419,597	4,680,983	4,470,070
Total Canadian	526,439	439,620	5,267,401	4,866,730

DOMESTIC TRADE

Domestic receipts:				
Calcium chloride, liquid			4,250	4,000
Coal or coke	21,117	131,821	447,048	837,466
Limestone and limestone products	41,004	101,470	1,388,839	1,624,738
Petroleum products	8,225	8,130	169,755	129,790
Slag			8,000	16,320
Total domestic receipts	70,346	241,421	2,017,892	2,612,314
Domestic shipments:				
Coal or coke	236,118	198,171	3,941,703	3,166,963
Grains	161,100	82,830	1,405,900	1,570,416
Iron ore and concentrates	2,173,545	2,577,469	29,858,811	26,667,089
Petroleum products		7,152	111,956	134,268
Potash	1			60,127
Total domestic shipments	2,570,763	2,865,622	35,318,370	31,598,863
Total domestic	2,641,109	3,107,043	37,336,262	34,211,177
Grand total all traffic	3,736,048	4,073,239	48,296,040	45,988,618
Ocean vessel arrivals	27	14	370	462
Lake vessel arrivals	109	150	1,794	1,775
Total vessel arrivals	136	164	2,164	2,237

NOTE.—28 countries were represented in 1979. Of ocean vessels: Greece—111; Liberia—60; Yugoslavia—31; United Kingdom—25; Panama—20; France—17; Singapore—11; Spain—10; Denmark—10; Finland—9; India—8; Italy—7; Turkey—6; Belgium—5; Poland—5; Algeria—3; Ghana—3; Japan—3; Norway—3; Brazil—2; Bulgaria—2; Canada—2; United States—2; Bermuda—1; Cyprus—1; Morocco—1; Netherlands—1; Russia—1.

Sources: American Iron Ore Association, Corps of Engineers, Minneapolis Grain Exchange, Seaway Port Authority of Duluth, and Terminal Operators of Duluth and Superior.

GRAIN EXPORT—THOUSANDS OF BUSHELS OMITTED

	December				Calendar year			
	1979		1978		1979		1978	
	Bushels	Tons	Bushels	Tons	Bushels	Tons	Bushels	Tons
Overseas								
Wheat	8,600	258,000	12,727	381,810	81,983	2,459,490	120,738	3,622,140
Corn	1,223	34,244	604	16,912	40,868	1,144,304	46,329	1,297,212
Oats			89	1,424	255	4,080	8,060	128,960
Barley	2,815	48,360			10,887	261,288	12,268	294,432
Rye					1,688	47,264		
Flaxseed								
Soybeans	762	22,860			2,629	78,870	3,921	117,630
Total	12,600	363,464	13,420	400,146	138,310	3,995,296	191,316	5,460,374
Canadian								
Wheat	6,536	196,080	3,251	97,530	50,863	1,525,890	48,095	1,442,850
Corn	1,218	34,104	496	13,888	10,375	290,500	11,144	312,032
Oats	474	7,584	1,083	17,328	1,013	16,208	1,613	25,808
Barley					2,263	54,312	152	3,648
Rye					677	18,956		
Flaxseed								
Soybeans							588	17,640
Total	8,228	237,768	4,830	128,746	65,191	1,905,866	61,592	1,801,978
Domestic								
Wheat	5,370	161,100	2,761	82,830	43,090	1,292,700	48,758	1,462,740
Corn								
Oats								
Barley					4,152	99,648	3,705	88,944
Rye					484	13,552	669	18,732
Flaxseed								
Soybeans								
Total	5,370	161,100	2,761	82,830	47,726	1,405,900	53,133	1,570,416

OVERSEAS GRAIN BYPRODUCTS

[In short tons]

	Calendar year			
	December		December and final 1979	
Grain export	1979	1978	1979	1978
Alfalfa pellets				
Bean culls			205	4,727
Beet pulp pellets			63,422	31,332
Canary seed			4,483	574
Corn byproducts				
Flax meal				
Grain product NOS				
Linseed meal, pellet, and screenings				
Millet			1,137	2,414
Mixed grain				
Mustard seed			1,102	
Pinto beans				
Rapeseed			10,202	3,791
Safflower seed	3,594		3,594	3,389
Soybean meal				1,057
Sunflower meal				
Sunflower pellets				
Sunflower seeds	195,952	126,430	1,374,260	1,248,135
Wheat Md. pellets				
Total	199,546	126,430	1,458,405	1,295,419
	Grain byproducts to Canada			
Sunflower seeds	15,315	32,759	15,315	32,759

EXHIBIT B

The U.S. Army Corps of Engineers has provided tonnage figures for major U.S. ports for the calendar year 1978. More detailed statistical profiles will appear with the publication of the 1978 edition of "Waterborne Commerce of the United States," not yet published (as of August 15, 1980).

New York	186, 733, 185
New Orleans	160, 611, 739
Houston	111, 936, 739
Baton Rouge	74, 570, 106
Valdez	55, 551, 983
Beaumont	52, 770, 276
Philadelphia	50, 822, 894
Tampa	47, 077, 047
Baltimore	46, 809, 090
Corpus Christi	46, 444, 601
Duluth/Superior	45, 841, 364
Chicago	39, 670, 722
Mobile	36, 260, 857
Texas City	34, 656, 219
Norfolk	34, 018, 870
Port Arthur	33, 474, 523
Los Angeles	32, 827, 428
Marcus Hook	32, 735, 738
Long Beach	31, 586, 404
Toledo	27, 571, 418
Lake Charles	26, 605, 821
Portland, Oreg	26, 573, 343
Boston	26, 073, 590
Detroit	25, 881, 508
Pascagoula	25, 244, 343

EXHIBIT C

National Port Ranking, Railroad Grain Cars Unloaded, Year 1979 versus year 1978

1978:		1979:	
Houston	111, 416	Houston	132, 946
Duluth/Superior	85, 373	New Orleans	72, 867
New Orleans	70, 282	Baltimore	64, 911
Baltimore	62, 021	Duluth/Superior	[1] 64, 373
Hampton Roads	45, 119	Hampton Roads	50, 511

[1] Part of decrease in Duluth-Superior 1979 figures due to grain-handlers' strike.

These statistics released by Association of American Railroads, Newark, New Jersey, January 11, 1980. Complete, detailed national statistics are available from: Manager of Port Traffic, Association of American Railroads, Gateway 1, Suite 2610, Newark, N.J. 07102.

EXHIBIT D

SEAWAY PORT AUTHORITY OF DULUTH,
Duluth, Minn., March 12, 1980.

Board of Engineers for Rivers and Harbors,
Kingman Building, Fort Belvoir, Va.

Re Final Survey Report and Environmental Impact Statement Navigation Season Extension for Great Lakes and St. Lawrence Seaway

GENTLEMEN: The Seaway Port Authority of Duluth administrative staff and board of commissioners have reviewed the Final Survey Report and the Environmental Impact Statement regarding the above.

We support the conclusions that the "longest feasible navigation season" should be advanced incrementally, both for the Upper Lakes and the Lake Ontario-St. Lawrence River section. While we concur with an eventual target of 12 months for the Upper Lakes, however, we would urge eventual implementation of an 11-month (instead of 10-month) season for Lake Ontario and the St. Lawrence River.

We have not altered those opinions expressed May 2 in Duluth at a public meeting regarding the preliminary report. Copy of that testimony is enclosed.

We also wish to add the following comments regarding (A) Environmental Effects and (B) Project Costs:

(A) Environmental Effects—It would be gross understatement to say the Corps recognizes environmental considerations. The environmental safeguards written into the final reports insure that the "incremental approach" will require phasing in a longer season on a slow, ultra-safe and methodic timetable. Indeed, the preliminary report laid down target dates for reaching the recommended extensions, but the final reports eliminated all specific language regarding implementation targets. Further, be assured that from one end of the system to the other—from Save Lake Superior to Save Our River, and from the Sierra Club to the American Association of Railroads—questions regarding environmental impact will be raised every step of the way.

(B) Project Cost—We believe Great Lakes interests must stop being so defensive about the costs of projects which will benefit our region. The Corps projects a 4 to 1 benefit/cost ratio. We think that's low, but even if it is not, consider the $1.2 billion Red River Waterway (story enclosed) which is creating a barge canal from Shreveport, La., to the Mississippi at a benefit/cost ratio of 1.08 to 1. And bear in mind that this $1.2 billion project—like the $1.5 billion Arkansas River Waterway of 10 years ago—will open new navigable waterways with no tolls to the users.

The need to move cargoes—particularly export cargoes—by the most economical, energy-efficient means possible is of paramount importance to this nation today. We must boost our exports, we must conserve energy . . . season extension addresses both needs.

Duluth-Superior historically has been, and is, an export port. In 1979, all exports totaled 10,263,857 short tons compared with imports of 695,921 tons. Excluding Canadian cargoes, direct overseas exports totaled 5,692,377 tons compared with overseas imports of 109,503 tons. Contributions to the nation's balance of payments should be manifest.

Grain shipments, both export and to eastern domestic destinations, have increased from an annual average of 4.6 million tons for the 10-year period 1960–69, to an annual average of 6.9 million tons for the 10-year period 1970–79. But producers and shippers are continually left with carry-over production when the navigation season ends—as an example, an estimated 1.8 million tons of Dakota and Minnesota sunflowers were held captive from export markets in country elevators, on-farm storage facilities and Duluth-Superior terminal elevators this winter.

Additionally, Twin Ports terminal elevators now (March 1980) are holding an estimated 60 million bushels, or nearly 80 percent of the port's total storage capacity of 78 million bushels. Some elevators are already at capacity and spokesmen are forecasting logjams of trucks and railcars again by the time the 1980 navigation season opens.

The need to continue to expand our export capabilities is genuine and is facing us at this very moment. In 1971, U.S. grain exports totaled 1.7 billion bushels. The total reached 4 billion bushels by 1978 and now is expected to approach 5.5 billion by 1984. Meanwhile, we have an inland transportation system that the Rural Transportation Task Force claims will require $4 trillion (that's right, "trillion") to be put back into proper working condition over the next 20 years.

As grain production continues to expand nationally, it is clear that the production leaders will continue to be those states in the Great Lakes trade area. From the enclosed listing of "The Nation's Top 10 Agricultural States in Production" (Minnesota Department of Economic Development, June 1979), you will note that Great Lakes trade area states lead in the production of spring wheat, durum wheat, corn, sunflowers, soybeans, oats and barley.

We also wish to point out the nation's inland transportation system is already beleagured to the point where massive delays and wasteful uses of energy have become all too common. We were advised in the fall of 1979, as an example, that the average roundtrip for a grain barge from Minneapolis-St. Paul to New Orleans was requiring 55 days. In the same period of time, an oceangoing ship carrying 22,000 tons of bulk grain can make a trip from the Port of Duluth-Superior to Rotterdam, Holland, and return.

As we said at the outset, we concur with the study conclusions but also hope and trust that the Board of Engineers for Rivers and Harbors also seriously consider the additional benefits which would accrue from an 11-month season for Lake Ontario and the St. Lawrence River.

Sincerely,

DAVIS HELBERG,
Executive Director.

[From the Journal of Commerce, Dec. 20, 1979]

WATERWAY CONTRACT AWARDED

(By Joseph Bonney)

New Orleans.—A $146.8 million contract was awarded Wednesday for construction of the first lock on the $1.2 billion Red River Waterway, a 236 mile barge canal that will link Shreveport, La., with the Mississippi River.

It was the biggest single construction contract ever awarded by the Army Corps of Engineers' New Orleans district. The work will be done by J. A. Jones Construction Co. of Charlotte, N.C.

The waterway will follow the route of the Red River, which runs diagonally across Louisiana from the northeast corner of the state to the Mississippi River about 20 miles below Baton Rouge.

The waterway actually will hook up with the Mississippi through Old River, which also connects with the navigable Atchafalaya River and Gulf Intracoastal Waterway to the south.

The Corps plans to build a 9-foot-deep, 200-foot-wide channel with five locks between Shreveport and the mouth of the Red. The first work is being done on the river's lower stretches.

BIG CHANGE

It'll be a big change for the Red, which now is a silty, erratic stream that tends to flood in the spring and drop to a depth of as low as one foot at sandbars during the summer.

Only the bottom 34 miles of the Red now are navigable. The Corps has been doing bank stabilization and channel work on that section as well as on stretches further upstream.

If all goes according to plan, the Corps says, the Red will be navigable to Alexandria, La. (90 miles from the Mississippi) by 1984, and to Shreveport (236 miles up) by 1988.

Economic studies are under way on the possibility of extending the navigable channel another 58 miles through a series of bayous to Daingerfield, Texas.

The first lock is being built near Marksville, La., about 40 miles from the mouth of the Red. Each of the five locks will be 84 feet wide and 685 feet long—big enough to handle six 35-by-195 foot river barges at a time.

The five locks will raise barges a total of 141 feet over the 236-mile waterway.

SURVIVED "HIT LIST"

The Red River Waterway, authorized by Congress in 1968, survived President Carter's "hit list" review of water projects two years ago after Louisiana congressmen and others applied pressure for continued funding.

Although the waterway's estimated ratio of benefits to costs is only 1.08 to 1, the project's supporters say those figures are conservative.

Although railroads and others have voiced scattered criticism of the economics behind the waterway, no lawsuits have been filed in efforts to block the project.

This is in contrast to the $2-billion Tennessee-Tombigbee Waterway in Mississippi and Alabama, environmentalists and railroads have mounted several unsuccessful attempts to stop that project, which now is one-third complete.

Supporters of the Red River Waterway include the Port of New Orleans, since much of the commerce that will move on the waterway is likely to be funneled through the deepwater port at New Orleans.

Materials expected to be shipped on the Red waterway include iron and steel, chemicals, petroleum products, grain and other bulk commodities.

The Red River valley is mainly an agricultural and timber-producing region, although Shreveport, a city of 350,000, has developed into a sizable manufacturing center in recent years.

During the 19th century, the Red River was used by steamboats hauling cotton and other goods, and was navigable up to 720 miles upstream, far into Texas.

The upper Red was opened to steamboat traffic by Capt. Henry Miller Shreve, who devised a steam snagboat that succeeded in clearing the "Great Raft," a 150-mile-long logjam of fallen trees and debris, between 1833 and 1838. Shreveport, founded in 1837, was named for Capt. Shreve.

C. W. Shelton, the Corp's project engineer for the Red waterway, says caving banks and heavy siltation are the biggest engineering problems in the current construction work.

Engineers are using models at the Corps' Waterways Experiment Station at Vicksburg, Miss., to develop channel designs to minimize problems with bank cave-ins and shoaling.

Mr. Shelton, who was involved in construction of the Arkansas River Waterway between Tulsa, Okla., and the Mississippi, said there were similar problems, although not as severe, on that project.

Environmentalists have raised relatively little commotion about the Red River project, which actually got underway in 1973 when the Corps began bank stabilization work.

The Red, which has a high natural content of salt and sediment, isn't a major recreational stream, although its hardwood bottomlands do shelter wildlife. To head off opposition in that area, the Corps is seeking money to provide 12,000 acres of "mitigation" land to offset wildlife areas destroyed by the waterway. The Corps also is in the process of revising its "environmental impact statement" on the project after deciding parts of it were inadequate.

THE NATION'S TOP 10 AGRICULTURAL STATES IN PRODUCTION

1978 Production											Minnesota's rank
Acres planted all	Iowa	Texas	Illinois	Minnesota	Kansas	North Dakota	Nebraska	South Dakota	Missouri	Indiana	4th
Acres harvest, all	do	Illinois	Minnesota	Kansas	Texas	do	do	do	do	do	3d
Total crop tonnage	do	Minnesota	Illinois	Nebraska	California	Kansas	Indiana	Texas	North Dakota	South Dakota	4
Corn for grain	do	Illinois	Nebraska	Minnesota	Indiana	Ohio	Wisconsin	Missouri	Michigan	do	4th
Corn for silage	do	Wisconsin	Minnesota	New York	Nebraska	Pennsylvania	South Dakota	Michigan	Colorado	Illinois	3d
Soybeans	Illinois	Iowa	Missouri	Minnesota	Indiana	Ohio	Arkansas	Mississippi	Louisiana	Tennessee	4th
Oats	South Dakota	Minnesota	Iowa	North Dakota	Wisconsin	do	Nebraska	Michigan	Pennsylvania	New York	2d
Barley	North Dakota	Montana	Idaho	Minnesota	California	Washington	South Dakota	Colorado	Oregon	Wyoming	4th
Wheat, all	Kansas	North Dakota	Montana	Oklahoma	Washington	Minnesota	Nebraska	Idaho	South Dakota	Colorado	6th
Wheat, winter	do	Oklahoma	Washington	Montana	Nebraska	Colorado	Texas	Oregon	Idaho	Ohio	34th
Wheat, durum	North Dakota	Montana	California	Arizona	Minnesota	South Dakota					5th
Wheat, other, spring	do	Minnesota	Montana	South Dakota	Idaho	Washington	Colorado	Nevada	Utah	Wyoming	2d
Flaxseed	do	South Dakota	Minnesota	Texas	Montana						3d
Sugar beets	Minnesota	California	North Dakota	Idaho	Washington	Michigan	Colorado	Nebraska	Wyoming	Montana	1st
Irish potatoes	Idaho	Washington	Oregon	Maine	North Dakota	Wisconsin	California	Minnesota	New York	Colorado	8th
Storage onions	Oregon	New York	Colorado	Michigan	Idaho	Washington	Utah	Wisconsin	Minnesota	Ohio	9th
Carrots	California	Texas	Washington	Wisconsin	Michigan	New York	Minnesota	Oregon	Arizona	Colorado	7th
Sweet corn	Minnesota	Wisconsin	Oregon	Washington	Illinois	Idaho	New York	Maryland	Iowa	Pennsylvania	1st
Green peas	Washington	do	Minnesota	Oregon	Idaho	Delaware	California	do	New York	do	3d
Dry beans	Michigan	California	Idaho	Nebraska	Colorado	North Dakota	Minnesota	Washington	do	Wyoming	7th
Sunflower seeds	North Dakota	Minnesota	South Dakota	Texas							2d
Hay, all	Wisconsin	do	do	Iowa	Nebraska	California	North Dakota	Missouri	New York	Idaho	
Hay, alfalfa	do	do	Iowa	South Dakota	California	Nebraska	do	Idaho	Michigan	Kansas	2d
Hay, other	Missouri	Texas	New York	do	Kentucky	North Dakota	Nebraska	Ohio	Wisconsin	Pennsylvania	14th
Timothy seed	Minnesota	Missouri	Ohio	Illinois	Pennsylvania	Iowa	Indiana	Wisconsin			1st
Red clover seed	Oregon	Minnesota	Missouri	do	Washington	Ohio	Michigan	Idaho	Indiana	Pennsylvania	2d
Sorghum grain	Texas	Kansas	Nebraska	Missouri	Oklahoma	South Dakota	California	New Mexico	Arkansas	Colorado	NA
Sorghum silage	Kansas	Nebraska	Texas	Mississippi	South Dakota	Oklahoma	Missouri	Georgia	North Carolina	do	NA
Rye	South Dakota	North Dakota	Georgia	Minnesota	Nebraska	South Carolina	Michigan	Oklahoma	Pennsylvania	North Carolina	4th
Honey	California	Florida	South Dakota	North Dakota	Minnesota	Montana	Texas	Nebraska	Wisconsin	Missouri	5th
Beeswax	do	North Dakota	Florida	Minnesota	South Dakota	do	Nebraska	Texas	Montana	North Carolina	4th
Fresh vegetables	do	Florida	Texas	Arizona	New York	Michigan	Oregon	Colorado	Washington	New Jersey	25th

THE NATIONS TOP 10 AGRICULTURAL STATES IN PRODUCTION—Continued

1978 Production											Minnesota's rank
Processed vegetables	do	Wisconsin	Minnesota	Oregon	Ohio	Washington	New York	Illinois	Michigan	Indiana	3d
Total vegetables	do	do	do	do	do	do	do	do	do	do	3d
Dry peas	Washington	Idaho	do	do	do	do	do	do	do	do	NA
Sweet potatoes	North Carolina	Louisiana	California	Virginia	Mississippi	Georgia	Texas	Alabama	New Jersey	Tennessee	NA
Apples	Washington	New York	Michigan	California	Virginia	Pennsylvania	North Carolina	West Virginia	Oregon	Ohio	20th
Mint for oil	do	Oregon	Idaho	Idaho	Indiana	Wisconsin	Michigan				NA
Sugar cane	Hawaii	Florida	Louisiana	Texas							NA
Hops	Washington	Oregon	Idaho	California							NA
Wild rice	Minnesota	Wisconsin									1st
Domestic rice	Arkansas	California	Texas	Louisiana	Mississippi	Montana					NA
Tobacco	North Carolina	Kentucky	South Carolina	Tennessee	Virginia	Georgia	Maryland	Pennsylvania	Ohio	Wisconsin	NA
Cotton/cottonseed	Texas	California	Mississippi	Arizona	Arkansas	Louisiana	Oklahoma	Alabama	Tennessee	Missouri	NA
Citrus fruits	Florida	do	Texas	do							NA
Red meats production	Iowa	Nebraska	do	Kansas	Illinois	Colorado	California	Minnesota	Wisconsin	Ohio	8th
Cattle slaughter	Texas	do	Iowa	do	Colorado	California	Illinois	do	do	Missouri	9th
Hog slaughter	Iowa	Illinois	Minnesota	Michigan	Nebraska	Ohio	Indiana	Pennsylvania	Missouri	Virginia	4th
Calf slaughter	New York	Texas	Wisconsin	Pennsylvania	California	Iowa	Louisiana	Illinois	New Jersey	Florida	27th
Lamb slaughter	Colorado	California	Texas	Illinois	Michigan	South Dakota	Minnesota	Iowa	Washington	Pennsylvania	7th
Cattle marketed	Texas	Iowa	Nebraska	Kansas	Colorado	Oklahoma	California	Missouri	South Dakota	Minnesota	10th
Calves marketed	Wisconsin	Florida	Missouri	Montana	New York	Mississippi	Texas	Kentucky	Georgia	North Dakota	26th
Hogs marketed	Iowa	Illinois	Minnesota	Indiana	Missouri	Nebraska	Kansas	North Carolina	South Dakota	Wisconsin	3d
Lambs marketed	Texas	Colorado	California	South Dakota	Wyoming	Idaho	Utah	Iowa	Ohio	New Mexico	14th
Sheep marketed	do	Wyoming	Colorado	Ohio	New Mexico	Utah	Idaho	California	Montana	South Dakota	12th
Milk production	Wisconsin	California	New York	Minnesota	Pennsylvania	Michigan	Ohio	Iowa	Texas	Missouri	4th
Egg production	California	Georgia	Arkansas	Indiana	do	Alabama	North Carolina	Florida	do	Minnesota	10th
Turkey production	Minnesota	North Carolina	California	Arkansas	Missouri	Virginia	Virginia	Texas	Iowa	Wisconsin	1st
Wool production	Texas	Wyoming	do	Colorado	South Dakota	Idaho	New Mexico	Utah	Montana	Oregon	14th
Calf crop	do	Missouri	Iowa	Oklahoma	Wisconsin	Nebraska	Kansas	South Dakota	California	Montana	11th
Pig crop	Iowa	Illinois	Minnesota	Missouri	Indiana	do	North Carolina	Kansas	Wisconsin	South Dakota	3d
Lamb crop	Texas	California	South Dakota	Wyoming	Colorado	Idaho	Utah	Montana	New Mexico	Oregon	14th
Egg chick hatch	California	Georgia	Florida	Indiana	Arkansas	Texas	Pennsylvania	Minnesota	Iowa	Missouri	8th
Broiler chicks	Arkansas	do	Alabama	North Carolina	Mississippi	Maryland	Texas	Delaware	California	Virginia	18th

Source: Compiled by the Minnesota Department of Agriculture.

STATEMENT BY DAVIS HELBERG, EXECUTIVE DIRECTOR, SEAWAY PORT AUTHORITY OF DULUTH

My name is Davis Helberg. I am executive director of the Seaway Port Authority of Duluth, a body politic and corporate created under and existing by virtue of the laws of the State of Minnesota, specifically Sections 458.09 through 458.60, Minnesota Statutes. Among other things, the Port Authority is charged with the duty of promoting the general welfare of the port district, increasing the volume of commerce through the port, and promoting the safe and economical handling of such commerce.

We have reviewed the drafts of the Survey Study for Great Lakes and St. Lawrence Seaway Navigation Season Extension Main Report, Environmental Statement, Appendixes Volume I and II, and the abstract of these reports.

May we commend the U.S. Army Corps of Engineers and other members of the Winter Navigation Board for conducting what clearly has been a most thorough and exhaustive study. We also appreciate the opportunity to participate in today's public meeting.

While we may quibble with some specific comments outlined in the Study Conclusions and Tentative Recommendations, we feel compelled to offer strong endorsement of the conclusions and recommendations as presented in general. They provide for an orderly yet careful graduation to eventual year-round commercial navigation on the Upper Lakes and an 11-month season for international shipping through the St. Lawrence Seaway.

There is a temptation to urge more rapid action than contemplated in the recommendations, especially as regards extension of the Seaway shipping season. But we also recognize the realities of the time required to reach international agreements with our Canadian neighbors, as well as the time required to implement the necessary system improvements.

Moreover—and of no small significance—the "time phase implementation" would enable the ocean-going ship owners/operators, the Great Lakes terminal operators, the ship service and supply companies and others directly involved to adequately prepare to meet the needs of men and machinery. (It is acknowledged that men and machines do not necessarily perform the same during periods of sub-zero temperatures as they do during warmer weather.)

From our point of view, the legitimate concerns of protecting the environment are fully addressed by the "Adaptive Method" and the Environmental Plan of Action. Extensive environmental studies are proposed, and rightly so.

The many safeguards written into the environmental sections, however, should allay the fears of even the most zealous opponents of season extension. Even these precautions will not silence the voices of certain special interest groups who historically have been anti-Seaway, or anti-Great Lakes shipping, for either competitive or self-serving reasons. But we hope and trust the Corps of Engineers and other ultimate decision-makers will recognize such objections for what they are worth and that the areas of genuine concern do not become obscured by red herring bombast.

Some attention has been given to energy savings offered by waterborne transportation. We would hope that in these days of increasingly precious energy resources—and energy costs now bordering on the outrageous—that this long-range benefit of season extension be granted the consideration it so justly deserves.

In our international port—the farthest from the Atlantic yet the closest to one of the world's most productive grain-growing areas—we view season extension as a means toward realizing two highly significant goals: (1) Economic shipment of more food products to a hungry world, and (2) Conservation of energy by maximizing the use of waterborne transportation.

Illustrating the Port of Duluth-Superior's role in helping to feed a world where population growth continues at alarming rates, the Twin Ports in 1978 exported 7,835,156 metric tons of bulk grain, grain by-products and processed foodstuffs via the Seaway. The total of all cargoes shipped through the Montreal-Lake Ontario Section in 1978 was 62.8 million metric tons. Thus, Duluth-Superior's share of Seaway tonnage (Mo-Lo Section) was nearly 12½ percent, even though we are only one of 20-odd ports handling international cargoes.

All U.S. exports through the Seaway (Mo-Lo Section) in 1978 totaled 17,256,142 metric tons. Duluth-Superior's share of that total, then—in food products alone—was 45 percent. (We will not endeavor to wade into the areas of this nation's

Balance of Payments situation, but our port's "contribution" should be obvious.)

Extension of the Seaway season should most logically come at the end of the traditional navigational period instead of at the beginning. As the harvests of the prairies roll into ports in the fall and early winter, the pressure to move as much cargo as possible becomes intense indeed. As a small indication, no less than 114 ocean-bound, grain-laden ships have departed Duluth-Superior in December in the past five years (1974–78) despite mid-December Seaway closing dates.

Regarding our local climate—and reiterating the point that Duluth-Superior continues to rank among the nation's leaders in waterborne commerce despite a limited season—we would urge that serious consideration be given to the permanent assignment in western Lake Superior of a modern, first-class icebreaker.

A limited navigation season has proven to be a continuing obstacle to increasing our international trade, both in the Port of Duluth-Superior and throughout the Great Lakes. Written and oral testimony is being offered at these public meetings from real and potential Seaway users to enlarge on that unfortunate reality.

Nonetheless, the Seaway has had a profound positive influence on this community and the broad hinterland that it serves. The value of exports shipped through Duluth-Superior in 1978 has been placed at $1.8 billion ($1,860,334,904), the value of imports at $29 million ($29,055,723).

The economic ripple effects of those international transactions on our port, state and region would continue to grow through season extension.

[H.R. 3258, 96th Cong., 1st Sess.]

A BILL To restructure the financing of the activities of the Saint Lawrence Seaway Development Corporation

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled. That this Act may be cited as the "Saint Lawrence Seaway Development Corporation Refinancing Act of 1979".

SEC. 2. (a) Section 5 of the Act of May 13, 1954 (33 U.S.C. 985), is amended to read as follows:

"FINANCING

"SEC. 5. (a) Except as provided in subsection (b), any revenue received by the Corporation may be used to finance any activity of the Corporation.

"(b)(1) Except as provided in paragraph (2), the Corporation shall pay into the general fund of the Treasury not later than one hundred and eighty days after the end of each calendar year any revenue received by the Corporation under section 12(b)(5) during such calendar year and any revenue which exceeds the sum of—

"(A) any cost of operating or maintaining the works under the administration of the Corporation, including the cost of administration and development during such calendar year;

"(B) the amount of depreciation on such works during such calendar year; and

"(C) any payments in lieu of taxes authorized in section 7 and made during such calendar year.

"(2) In any calendar year in which the revenues received by the Corporation do not exceed the sum of the items specified in paragraph (1)(A) through paragraph (1)(C), the Corporation shall not be required to pay into the general fund of the Treasury any revenue received under section 12(b)(5).".

(b) Section 12(b)(5) of the Act of May 13, 1954 (33 U.S.C. 988(b)(5)), is amended to read as follows:

"(5) That, with regard to each calendar year, the rates shall provide revenues sufficient to provide the Corporation with a rate of return on any investment of the United States in the Saint Lawrence Seaway which is equal to the rate of return receivable by the Saint Lawrence Seaway Authority of Canada on any investment of the Government of Canada in the Saint Lawrence Seaway.".

SEC. 3. Any balance of any obligation of the Saint Lawrence Seaway Development Corporation which was incurred under section 5(a) of the Act of May 13, 1954 (33 U.S.C. 985(a)), before the effective date of this Act, and which is outstanding on such effective date, is hereby terminated.

SEC. 4. This Act shall take effect sixty days after the date of the enactment of this Act.

STATEMENT OF DAVIS HELBERG, EXECUTIVE DIRECTOR, SEAWAY PORT AUTHORITY OF DULUTH, DULUTH, MINN.

The Seaway Port Authority of Duluth is a body politic and corporate, created under and existing by virtue of the laws of the State of Minnesota, specifically Sections 458.09 through 458.60, Minnesota Statutes. Among other things, the Port Authority is charged with the duty of promoting the general welfare of the port district, increasing the volume of commerce through the port, and promoting the safe and economical handling of such commerce.

In the discharge of the duty imposed by the statutes, the Port Authority urges enactment of H.R. 3258, entitled a Bill to Restructure the Financing of the St. Lawrence Seaway Development Corporation.

In this 22nd season of Seaway shipping, the imposition of tolls on ships and cargoes continues to serve as a deterrent to greater utilization of the system and, thereby, greater benefits to the U.S. and Canadian midlands for which it was constructed.

It is not satisfactory to say tolls have already been "accepted" for these 22 seasons; they have been levied and they have been paid, but they are viewed as repressive by some, resented by most, and they fly in the face of fairness when compared with the nation's other waterway systems.

We fully recognize that passage of H.R. 3258 would not eliminate tolls, but we believe that its enactment would at least encourage some measure of stability to the level of tolls for future years and would (in the vernacular) take a large monkey off the Seaway's back.

Stability in the level of tolls is extremely important at this time, particularly in view of the jolting increases of recent years and the expiration of the current U.S.-Canadian agreement on tolls after 1981.

At the heart of this proposed legislation, as we see it, is a matter of fairness, a question of equity.

In 1970, Congress—by the amendment of Section 809 of the Merchant Marine Act of 1936—designated the Great Lakes as the Fourth Seacoast of our nation and as an essential and necessary avenue over which our foreign trade and commerce flows. We urge that the intent of Congress was that this North Coast, along with the Atlantic, Gulf and Pacific Coasts, should share equally in the movement of international commerce and profit therefrom.

Despite such designation, the U.S. agreed less than a decade later to join with Canada in sharp increases in tolls, beginning in 1978 and climbing annually to the present level.

As has been pointed out time and again through the years by Seaway proponents, no other coastal range is burdened by tolls on its commerce. Moreover, repayment of construction costs has not been required of any other U.S. waterway.

Scores of examples may be cited involving past and present waterway projects in which construction paybacks have not been or are not being required.

As only random illustrations, we call attention to the $1.2 billion Arkansas River Waterway of a decade ago (including $717 million for the Arkansas State portion alone), the Tennessee-Tombigbee Waterway presently under construction and originally authorized at $1.5 billion, the $208 million Columbia River Project, which had included $53.4 million in construction expenditures through Fiscal Year 1978, and the $1.2 billion Red River Valley Waterway only recently underway. (Regarding the latter, we note that $146.8 million has been appropriated for construction of just one of the locks—compare that, if you will, with the remaining $111 million of the U.S. Seaway construction debt.)

We do not question the merit or validity of these other projects. We merely wish to remind the committee that—with the exception of the St. Lawrence Seaway—our Government has consistently followed a "forever free" principle in building the nation's vast waterways system.

Selective abandonment (in the Seaway's case) of the above principle is not necessarily the issue immediately at hand, but nonetheless we take this opportunity to call the matter to the committee's attention. We cite, for the record, the following:

The Continental Congress, on July 13, 1787, enacted the Northwest Ordinance, granting the inhabitants of lands west of the Alleghenies and northwest of the Ohio River the same rights and privileges enjoyed by the citizens of the original Thirteen States. Article IV reads, "The navigable waters leading into the Missis-

sippi and St. Lawrence, and the carrying places between the same, shall be common highways, and forever free, as well to the inhabitants of the said territory as to the citizens of the United States, and those of any other states that may be admitted into the confederacy, without any tax, impost or duty therefor."

The U.S. Constitution, signed March 4, 1789, incorporated under Article I, Section 9, the following: "No preference shall be given by any regulation of Congress of revenue to the ports of one state over those of another, nor shall vessels bound to or from one state be obliged to enter, clear or pay duties in another."

On May 8, 1871, Great Britain, acting on behalf of Canada (as well as in her own interest), and the U.S. signed the Treaty of Washington. In that document, Great Britain, speaking for Canada, guaranteed to the U.S. that navigation of the St. Lawrence River was to "forever remain free and open for the purpose of commerce to the citizens of the United States."

In 1909, the U.S. and Canada signed the Boundary Waters Treaty which guaranteed throughout its life that "the navigation of all navigable boundary waters shall forever continue free and open for the purposes of commerce to the inhabitants and to the ships, vessels and boats of both countries equally."

To the best of our knowledge, none of the above has ever been rescinded, renounced or altered in any way.

It might also be noted here that "user fees" of another sort will go into effect in October 1980 with the imposition of fuel taxes on tugs and towboats utilizing the Mississippi River. But even these charges are intended to help defray operating and maintenance costs and are not designed to pay for construction projects.

Meanwhile, rehabilitation and new construction costs for the Lock and Dam 26 Project on the Mississippi at Alton, Ill., have been estimated at $540 million (in October 1979 dollars) and the planned (but not yet authorized) additional lock in the same complex has been estimated at from $120 million to $170 million depending on the lock size. Users will not be required to pay for construction costs.

Again, we do not question the validity of the project. We reiterate, however, that users should not be compelled to continue to pay for the Seaway's initial construction.

The present situation, tolls for the Fourth Seacoast and none for other coastal ranges, is manifestly discriminatory. Elimination of the necessity for the Seaway Development Corporation to repay its construction costs should, at the very least, stabilize our Government's position with regard to the level of tolls, if tolls must indeed continue to be levied.

Although H.R. 3258 may fall short of the perfect solution to the basic problem of discrimination in favor of other seacoasts, it would represent a major and significant step toward achieving fairness for the Great Lakes.

[Reprint from the Congressional Record, Tuesday, Aug. 26, 1980]

ST. LAWRENCE SEAWAY LEGISLATION: ENDING EQUITY

Mr. OBERSTAR. Mr. Speaker, users of the St. Lawrence Seaway bear a burden borne by the users of no other federally constructed waterway.

Seaway users, through tolls charged on the seaway, pay all operation and maintenance costs. Furthermore, they must make an annual payment to reduce the outstanding capital construction debt. In 1980, Seaway users will reduce the $110 million debt by $2.5 million, in addition to paying all operation and maintenance costs. In 1982, that payment will rise to $5 million.

Frankly, this seaway policy discriminates against our entire Great Lakes region. The doubling of the debt service payment in 1982 will exacerbate the discriminatory policy.

I have introduced H.R. 3258, legislation to restructure the St. Lawrence Seaway Development Corporation to convert the outstanding debt into equity ownership by the U.S. Government. H.R. 3258 would require that tolls be sufficient to meet all operating and maintenance costs and to insure an annual return on the equity. H.R. 3258 would remove a burdensome debt repayment requirement which will force the United States to seek much higher tolls beginning in 1982.

Hearings held by the House Water Resources Subcommittee in Duluth on April 26, indicated widespread support throughout the Great Lakes and upper Midwest for H.R. 3258. It may not be possible, however, to enact H.R. 3258 at this late date in the session. In the interest of expediting seaway financing legislation, I am today introducing legislation which takes a less far reaching refinancing step than H.R. 3258.

The bill I am introducing would retain the present debt but would extend the repayment period from 50 to 80 years. That change would prevent the debt service payment from escalating in 1982 from $2.5 million to $5 million.

I must emphasize that this bill does not forgive the outstanding debt. It does require continued payment on the debt, but at a more reasonable level than that now scheduled for 1982 and beyond. This bill will enable the Great Lakes to remain active, as Congress intends, as America's fourth seacoast.

STATEMENT OF DONALD SLINDEN, SECOND VICE CHAIRMAN OF THE BOARD, LAND O'LAKES, GROVE CITY, MINN.

My name is Donald Slinden. I am a farmer from Grove City, Minnesota, where I operate a 1,300 acre farm with my wife Joyce and my sons and their families. We milk 45 cows and raise wheat, corn, soybeans and alfalfa. We also grow vegetables for the Green Giant Company. I have been active in cooperatives for many years and have served on the Board of Land O'Lakes for 7 years and as Second Vice Chairman of the Board for the past 3 years. Land O'Lakes as most of you probably know is a regional cooperative serving 250,000 farmers in the Upper Midwest.

Senator Boschwitz, members of the Committee, I'd like to begin by commending you for bringing your Committee out into the heartland of America. I know how difficult it can be to do this sort of thing and yet how important it is to get away from the legislative halls to meet with people and discuss issues which are of concern to them.

My concerns, as a farmer and as a member of Land O'Lakes, fall into two categories:

(1) The Structure of Agriculture
(2) The New Farm Bill

There are, of course, numerous inter-related and complex issues in each of these categories which concern me. In the interest of time I shall highlight four of them:

(1) Inflation
(2) Farm ownership and control
(3) Barriers to land transfer
(4) Transportation

At one of our recent Land O'Lakes Board Meetings we devoted considerable time to the discussion of issues bearing on family farming and the structure of agriculture. While I cannot capture all of the thoughts and views of the Board or our total membership today I will try to present some general views that have evolved from our discussions.

INFLATION

There is general agreement among our members that the number one problem we face today is inflation because it has a devastating effect on anything and everything it comes in contact with.

In agriculture, inflation has caused land, fuel and machinery prices to go up much faster than the returns the farmer is receiving for his efforts. In the process inflation has created a situation where it is extremely difficult for potential farmers to purchase land and for established farmers to achieve an appropriate and adaqute return on their investment.

If government will take the necessary steps to control inflation and improve the health of our general economy, all segments of our society, including agriculture, will prosper.

I urge this Committee, and the Congress to make controlling inflation your number one priority during the coming session.

LAND OWNERSHIP AND CONTROL

Two other areas that are of great concern to us are the areas of land ownership and the control of agriculture. In the latter area we're concerned, first of all, by what seems to be a trend toward using our highly productive agricultural industry more and more as a tool of our foreign policy. Second, we're concerned that some in government and others increasingly seem to be looking at our agricultural industry as a device for solving our nations social ills rather than as a critically important production unit. Finally, we're concerned that there are

those who view agriculture purely as a tax shelter whereby they can use farming losses to offset non-farm income. Perhaps there is a role for agriculture in each of these areas, but we must never lose sight of the fact that production has been and must continue to be the primary purpose of American agriculture if we are going to have any kind of success in addressing our rapidly growing world food needs. In a time when our overall productivity as a nation continues to drop and the need for our agricultural products is growing worldwide, we need to make certain that our agricultural productivity remains high. That means doing what we can to make sure that our agricultural policies, our tax policies, our credit policies and our energy policies are supportive to the family farm system of agriculture—and we remove the barriers which inhibit the transfer of farm ownership among family members or make it difficult for young people to enter farming. The adequately financed American family farm unit is still the most efficient and effective unit there is anywhere in the world and the future growth of our nation and the peace and stability of the world are dependent on our keeping it that way.

BARRIERS TO LAND TRANSFER

Another area I'd like to comment on is the area of barriers to land transfer. There is probably nothing that stirs the emotions of farmers more than the difficulties they encounter in transferring land ownership to members of their families and the barriers encountered by young people trying to get started in farming.

We give lip service to the fact that our young people represent our future and then tax land transfers to family members to the point where such transfers are extremely difficult. As a consequence, ton notch would-be-farmers seek employment elsewhere where the risk is less and the rewards more secure. We need to turn this around and I'd like to suggest some ways in which we might do it.

(1) Let's provide special tax incentives to encourage retiring farmers to sell to potential young farmers. The State of North Dakota has instituted such a program and it is working real well. Primarily, this incentive could be some tax modification on the capital gain on such a sale or on the interest on such a sale, if the seller retained the note.

(2) Let's permit an untaxed transfer between spouses.

(3) Let's grant investment tax credit on transfers from father to sons on eligible farm items.

(4) Let's increase the current estate tax exemption which, though increased in 1976, is already outdated.

(5) Let's provide additional exemption for farms and small businesses which are transferred as family-operated units.

(6) Let's allow earned credits, similar to those now extended to a wife, to other members of a family.

(7) Let's provide for the payment of estate taxes on the basis of the income producing ability of the farm.

(8) Let's increase the present $500,000 special farm use limitation.

(9) Let's modify the law as it defines material participation to be eligible for the agricultural valuation in an estate. This is particularly needed where the farmer-owner has retired. It is also needed where the farm transfers to minor children.

(10) Let's develop a system of indexing changes in transfer laws. The two percent earned credit for participating wife is a step toward indexing. It can serve as an example for others.

(11) Let's increase the present $3,000 non-taxable limit on gifts to a more realistic amount.

(12) Let's develop an acceptable method of transferring farms in increments by gifts.

There are, of course, other adjustments which might be made. The point to be made today is that we need to do something—and we need to do it now—to facilitate the transfer of existing farm units to those who want to perpetuate them. It's an absolute necessity for the retention of a family-farm type of agriculture.

TRANSPORTATION

Another monumental problem for agriculture in this part of our nation is transportation. Those of us who live here find it difficult to understand why our government has been so slow to act on something that is so crucial to agriculture and to our entire economy.

It's ironic, indeed—that here we are in the Upper Midwest—able to produce in such great abundance—yet severely handicapped in our efforts to move that produce to our domestic and foreign markets.

What we need is government action now to accelerate the renovation of Lock and Dam No. 26; to allow railroads to merge or jointly own railbeds; to pave the way for farmers and others to join together in joint ventures to activate railbeds which have been abandoned; to provide incentives for the modernization of our rail system; to promote the further development of the Harbor of Duluth and whatever else is necessary to encourage innovative rail, water and highway solutions to the transportation problems which confront us in the Upper Midwest.

THE 1982 FARM BILL

Let me conclude by talking about the farm bill which will be brought before you for action in 1981.

On balance, we like the basic market-oriented policy that our nation has followed for nearly two decades, but we would ask that within this basic policy tradition close attention be paid to the interactions and cross-impacts of singular policy actions.

We support the concept of a price support loan serving as a price floor for grain but allowing U.S. commodities to move in a competitive world price range.

Further, we support farmer-held grain reserves and the use of paid diversions to keep an approximate year to year balance between supply and demand.

We recognize that under such a policy income supplementary payments, by whatever name, will probably have to be continued.

In the area of dairy, we support dairy policies which foster the development, growth and economic well-being of dairy farmers and associations of dairymen and believe they are in the best national interest. We support federal legislation authorizing adequate dairy price supports, federal marketing orders and other federal programs designed to provide adequate supplies of high quality milk and dairy products, the orderly marketing of milk, and greater stability in market conditions.

Dairying is different than other agricultural enterprises in that it requires a large investment and a significant amount of time for one to become established—and the product that is produced is highly perishable. Therefore, stability of production, continuity of supply and the economic well being of our dairy farmers are critically important to all Americans.

Speaking to other points of the bill—we feel something needs to be done to compensate for the almost unbelieveable 20–40% cost increases on the farm in recent years. Cost of farm imports will need to be stabilized—and prices on most farm commodities will have to increase if we are to continue to have a viable and dynamic agricultural industry.

In this regard, we feel greater emphasis needs to be directed toward the development and maintenance of an expanding export market for U.S. agricultural products.

We support trade policies which move in the direction of free trade but believe that countervailing duties, quotas, and similar devices must continue as a safeguard against competitive distortions resulting from subsidized exports, commodity dumping and other unfair trade practices.

We are against any provisions in the tax code which shelter non-farm earnings through liberal agricultural depreciation and expensing provisions. Investments for purely tax reasons rather than business purposes have a disruptive influence on the industry in which they are invested.

We encourage the close scrutinization of any loopholes that encourage foreign investment in U.S. land and in the agricultural industry.

We want some language in the bill which will assure offsetting price or income supporting measures in the event of future embargoes.

In the area of energy, we urge Congress to enact a National Energy Policy which is realistically attainable and which will achieve greater self-sufficience within a reasonable period of time. Such an energy policy must emphasize a priority need for agricultural production, assembly, processing and distribution to ensure long-term economic growth for agriculture and our nation and a satisfying and productive life for all Americans.

We strongly believe that there needs to be continued and expanded emphasis on agricultural research and education through our land grant colleges. Our ability to supply expanding domestic and export markets at reasonable prices depends heavily on continued gains in agricultural production.

Finally, we strongly support the legislation under which cooperatives like Land O'Lakes operate, the existing methods of cooperative financing and the present tax laws as they relate to cooperatives.

Senator Boschwitz, members of the Committee, there is much more I'd like to say, but let me conclude by once again expressing my heartfelt appreciation to each of you for your concern with the future of our agricultural industry.

Thank you for hearing our views on these important agricultural matters.

STATEMENT OF ARNO MOENNING, MINNESOTA PORK PRODUCERS ASSOCIATION, ALBERT LEA, MINN.

Mr. Chairman and Members of the Committee: I am Arno Moenning, National Director from Minnesota on the Executive Committee of the National Pork Producers Council, speaking on behalf of more than 10,000 concerned members of the Minnesota Pork Producers Association engaged in the production of pork. We are indeed grateful for this opportunity to express our concerns to you.

The crushing burden of excessive federal regulations, such as many of those imposed on farmers by OSHA, FDA, EPA and USDA, are unrealistic and unnecessary. We must have a sensible approach to reduce excessive federal regulation that is draining the profitability from farming. EPA and FDA's excessive adherence to "zero risk" policies relative to the use of antibiotics, food preservatives and the like, has put the pork industry under severe regulatory pressure for nearly three years. It makes it even less palatable to us when those regulations are predicted upon flimsy scientific evidence that has since failed to stand the test of scientific review.

The regulatory agencies have exploited the later-proven invalid "Newberne Study" to further promote preconceived ideas and concepts which have forced pork producers to take their own government into court two times in the past nine months to bring about accountability on the part of those same regulatory agencies. In both cases, judges have ruled the government "arbitrary and capricious".

As we struggle under the yoke of the oppressive regulatory agencies, our alternatives are few. We can continue to seek relief in the courts . . . an expensive procedure, since we must pay both batteries of lawyers and expert witnesses, or we can ask our government to serve in the interests of all the people. This, we have decided, is the appropriate first step.

NITRITES

FDA and USDA acted on flimsy scientific evidence and preconceived ideas and concepts that failed to stand the test of scientific review.

In our free enterprise system, those responsible for such costly decisions should be held accountable.

We respectfully appeal to you to help us by asking department heads and appropriate agencies to compensate to a degree for the irreparable harm already done. It would require only a candid statement removing the cloud of suspicion from our traditionally safe and wholesome product. It could be done with the following statement:

Based on evidence known today, there is no reason to be concerned about the safety of the use of products prepared with nitrites.

We feel it's time we get this issue behind us and be about our business of producing and marketing without handicap.

FOOD SAFETY AND THE DELANEY CLAUSE

The nation's pork producers are committed to give American consumers the most economical and safe product available, but they must retain the use of approved additives to do so.

Chairman Foley (D-Wa.) of the House Committee on Agriculture has called on FDA to prepare recommendations for changes in the Delaney anti-cancer clause. Foley asked for quick action on the proposal for changes, pointing out the issue is of "great significance to American farmers and consumers."

When the Delaney Clause was adopted in 1958, the smallest amount of any material that scientific analysis could detect was 50 parts per million. In the intervening two decades, chemical analysis has improved by several orders of

magnitude and has almost reached the level of sophistication at which any impurity can be found in anything. Analytical chemistry is now detecting down to parts per trillion and is outstripping our technical ability to prevent such minute contamination.

FDA now advocates the Delaney Clause be changed from an absolute prohibition to a rule prohibiting carcinogens except where it can be shown that the actual risk to humans is nonexistent or so low as to be of no legitimate public health concern.

The MPPA solicits your support on any legislation on the repeal or revision of the Delaney Amendment.

ANTIBIOTICS

Since 1970 our organization has cooperated fully with the FDA in seeking to accurately pinpoint known and proven facts pertaining to the use of antibiotics in the efficient production of pork in this country.

For some years now, there has been the inference that the use of antibiotic products in the pork and livestock industry has diminished their effectiveness in the field of human medicine. Without doubt, there have been untold hours and many dollars spent attempting to fix this position as a positive fact. Despite all efforts to bridge this emotional void of possibility, there still today are no facts to continue to warrant that concern.

The National Academy of Sciences report on antibiotics in feed concluded that the research necessary to establish a definite risk may not be possible.

Dr. Virgil Hays, Chairman of a Council for Agriculture Science and Technology study group stated, "We just do not have the information that would justify the decision the FDA has proposed."

It, therefore, appears that in the futility to find answers to some of the challenges in human medicine today the livestock industry has become the center stage for trial without judge.

We in the livestock industry are very cautious today and greatly concerned with what the future holds in this matter. The challenge is, do we make decisions on fact and activate needed research on those areas not enforced by fact, or do we submit to the emotion of the day without regard to reality of tomorrow. We in the pork industry want to do our part to supply healthful supplies of meat that will continue to assure increased life expectancy of all people. However, we do need continued practical and conscientious use of the products under debate in order to accomplish it.

PLUM ISLAND ANIMAL DISEASE CENTER NEEDS

The Plum Island Animal Disease Center (PIADC) located on an island off the end of Long Island, is the only laboratory facility in the Western Hemisphere that is devoted entirely to research on foreign animal diseases. This laboratory complex was constructed about 25 years ago when the presence of Foot and Mouth Disease (FMD) in Mexico revealed the vulnerability of the U.S. to foreign animal diseases. Currently, African Swine Fever (ASF) is being given top priority at the Center. It is, in fact, serving as the training center for scientists from many countries of the Western Hemisphere. It is also officially designated by the United Nations Food and Agriculture Organization as the supplier of diagnostic assistance and reagents to the Dominican Republic and other western countries needing these supplies.

ASF is the most threatening swine disease known to exist. For 50 years it was confined to Africa, but about 20 years ago it spread to Europe, and in 1978 gained entrance into the countries of Brazil, Dominican Republic and Haiti. It got into Cuba in 1974, was eradicated, but occurred in the country again in early 1980. The Cubans report that this disease has again been eliminated by eradication. Since there is no vaccine or treatment for ASF, the only known method of combatting the disease is to slaughter all infected and exposed swine. In the earlier outbreak, the Cubans slaughtered 400,000 swine and 160,000 in 1980.

From these few facts, it is apparent that the spread of ASF to the U.S. would be disastrous not only to the swine producers and the meat packing industry, but to consumers as well, because it would certainly reduce the pork available. Estimates of the cost of eradicating ASF, done by the University of Minnesota, are $7.3 million for the smallest outbreak and $5 billion if it spreads to several states before being brought under control.

Because of the essential and key role that the PIADC plays in the defense of the U.S.A. against this dreaded swine disease, this Center must be in a position to function efficiently at all times. At the present time an unusual problem exists.

In 1976 Congress appropriated $10.8 million for additional facilities at PIADC. The new facilities were to be used for vaccine production, diagnostic support for the Harry S. Truman animal import facility at Key West, Florida, and supporting facilities. Unfortunately, it was necessary to default the contract for this construction because of a series of deficiencies in construction by the contractor. Legal actions have been initiated against the contractor and his bonding company, but the partially finished facilities are seriously deteriorating because of their exposure to the elements. A construction management company has evaluated the partially completed facilities, and their cost estimate for finishing the construction of the originally planned facility is $12.8 million.

It is extremely unfortunate that this debacle has occurred, and it is hoped that the Government will recover the losses by legal action. But this uncertainty cannot be justification for not completing the facilities that are partially constructed. In fact, the need for these facilities are much greater now than they were in 1976 because of the presence of ASF only 70 miles from Puerto Rico, the uncontrolled existence of ASF in Haiti, the uncertainty of the disease status of Cuba, and the knowledge that ASF is probably widespread in Brazil.

The Minnesota Pork Producers Association is thoroughly convinced that the appropriation of funds to complete the PIADC facilities is absolutely essential. We earnestly solicit your support and assistance in this effort.

RESEARCH

During recent years, pork producers have reinvested their profits back into their production facilities to bring about those efficiencies necessary to compete today. Our pork yields one-half the fat that it did ten years ago, and that has been replaced with lean meat. We have almost eradicated three major diseases in our industry over the past 20 years. It takes slightly over half as much feed today to produce a pound of pork as it did 25 years ago.

Despite these accomplishments, there are half as many pork producers today as there were 20 years ago, but each has doubled his production. As a result, the capital investment per family unit is at a record level. With present day investment levels, any disease that produces overnight catastrophic losses looms as a constant threat to our pork industry.

The returns on investments made in agriculture research are very attractive, falling in the range of from 17 percent to 100 percent. The Intersociety Research Committee has identified the return on investment in swine research to be about 52 percent. This return is higher than for any other species of livestock and much higher than for most manufacturing industries, indicating the productive nature of these programs. The paradox is that, although food from animals makes up more than 40 percent of the country's food supply, less than 0.5 percent of the value of these products is spent on research. We do not suggest an increase in the federal budget to cover research in these austere times; rather we suggest a redirection of funds from other less productive programs.

The National Pork Producers Council has ranked feed efficiency and reproductive efficiency as top priority research needs.

The NPPC recognises the need for research which will inevitably improve the efficiency of production of livestock. Without a doubt, the world is going to experience a shortage of feed grains in the future. When this time arrives, pork producers need to have the ability to provide the excellent protein source to which people are accustomed with limited inputs of feedstuffs. The need for agriculture research has never been greater.

SUMMARY

The hog enterprise is an important source of income for a great many U.S. farmers in addition to being an excellent source of nutrients to the nation's and the world's consumers. In 1979, hogs provided over 8 percent of the cash receipts from farming in the U.S.

The pork industry provides an excellent example of the free enterprise system at work. The pork producer does not receive subsidies, price supports or other government contributions directly. He is truly an independent, subject to the economic laws of supply and demand. However, we must have relief from the burden of excessive regulations.

We respectfully suggest that every effort be made to reestablish confidence in the livestock industry so vital to the health and welfare of Americans and to the world. Pork consumption has been increasing world-wide and the potential exists for increased pork exports from the U.S. The major reasons for this potential lie in our cholera-free status, our willingness to be a large, reliable supplier, and that our pork is about the cheapest in the world. Only through research and higher investment has this been possible.

With the continued help of your committee and the Congress, the pork industry can continue to provide consumers with the healthful, natural food they so desperately need. In so doing, however, it will require greater investments and risks on the part of the producer as he expands his operation and concentrates his number of units.

Thank you.

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